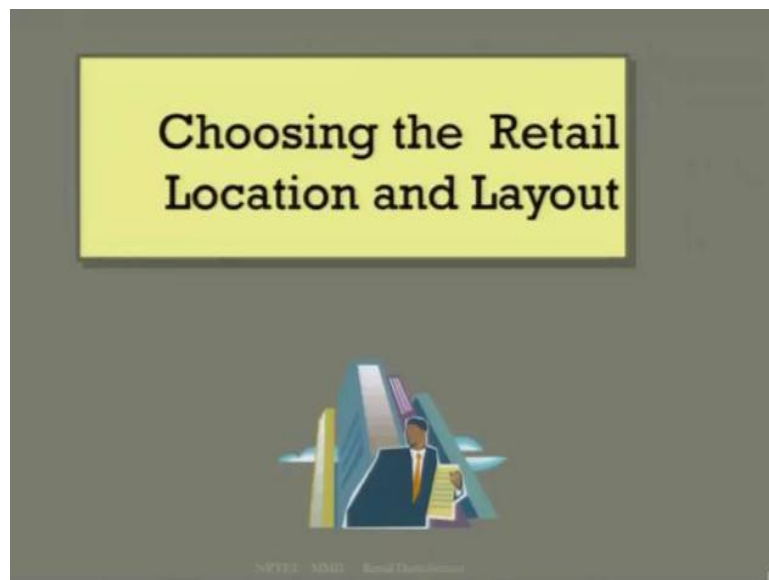


**Marketing Management II**  
**Prof. Jayanta Chatterjee**  
**Dr. Shashi Shekhar Mishra**  
**Department of Industrial and Management Engineering**  
**Indian Institute of Technology – Kanpur**

**Lecture No. W7-L2**  
**Choosing Retail Location and Layout**

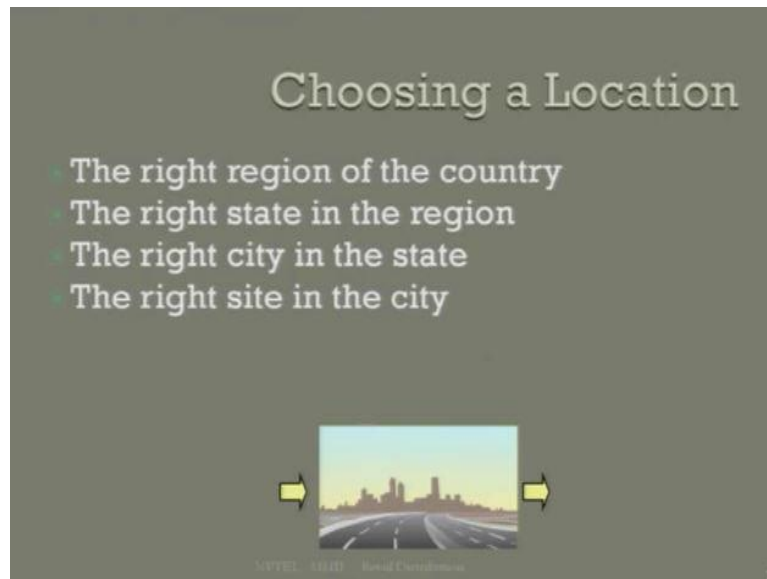
Hello, this is the II session of our seventh week of the course on MM Marketing Management part II. And we are discussing marketing channel distribution, retail Marketing, merchandising, category management. And the last topic in this category today is this topic is choosing the retail location and layout.

**(Refer Slide Time: 00:39)**



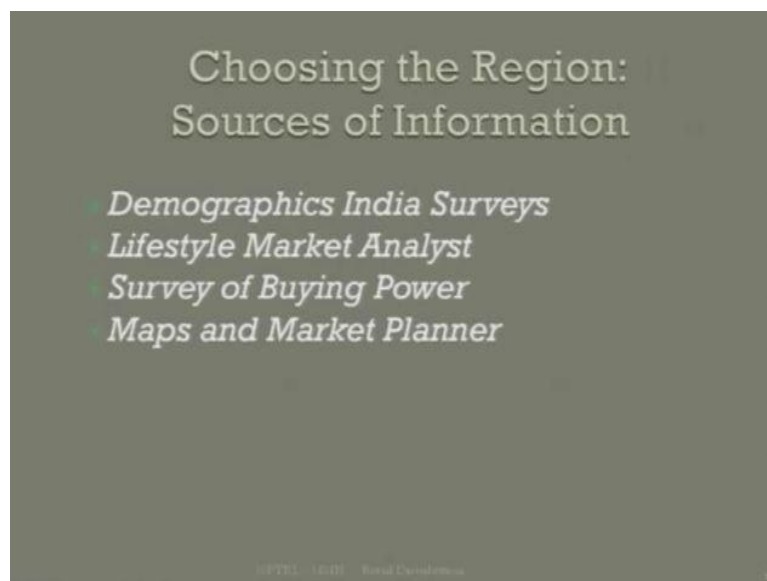
So, it is an interesting topic there are various angles to angles to it.

**(Refer Slide Time: 00:53)**



And let us go through that one by one. So first is choosing a particular location the right region in the country in India you know western, eastern, southern, northern. Then within the region which state and right city in that state, the right site within that city. So, these are all the different decisions that we have to take with respect to choosing a particular location for a retail outlet.

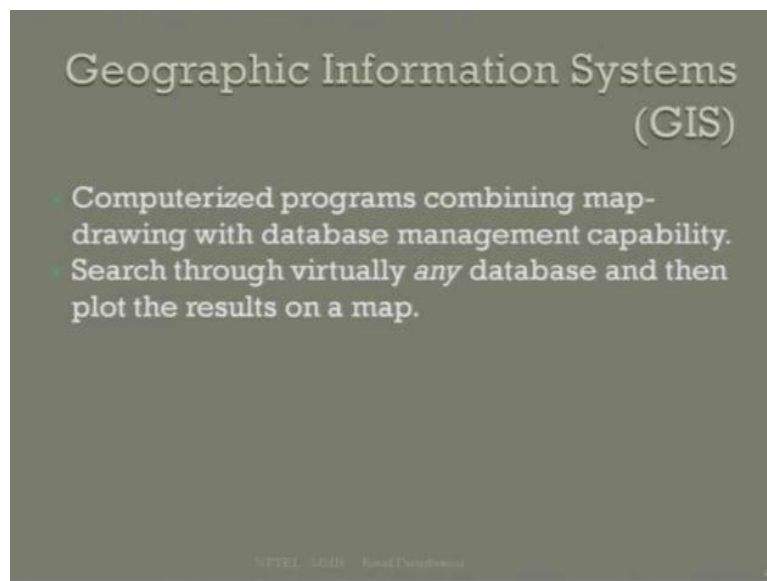
**(Refer Slide Time: 01:28)**



So, to choose a right region, the sources of information will be the demographics. The different types of surveys published by our applied academic research, councils, and different other government bodies. We will get from market research report, different types of lifestyle based market analysis how say for example, the young people they are shopping patterns are changing in Bombay or how the middle aged middle-income customers in Kolkata are shopping for food items.

This kind of different market research reports getaway become available and those are to be studied and to decide upon this store location. So, at regional level therefore we will be looking at this over all demographics of the region, lifestyle, market analysis, survey of the buying power in the region. So, the buying power we know that in certain parts of southern region will be much higher than certain parts of northern region. And these days quite interestingly, we can combine technology like geographic information system.

**(Refer Slide Time: 02:43)**



So, on a computerized map, our program can give us the depiction of the key points from our database analysis with respect to income pattern, consumption pattern. So different items or our chosen categories. And so, we can basically combine the search through databases with this map based geographical information system. And that has given us a very powerful visual display system to quickly decide about retail location, distribution strategy, a merchandising, category management, strategy and so on.

And sometimes as something that would have not been so evident by going through paper data, now become far more revealing by looking at this visual data where the whole region map will be in front of us all the cities will be shown. And these different consumption patterns will be shown and that can and on that you can superimpose your warehouse location and from there you can easily see that where are the gaps.

And you can look at you can even compare with your competitive retailer's locations and that can give you a good idea about which cities you will go for. So, choosing the city will depend on population trends, competition level.

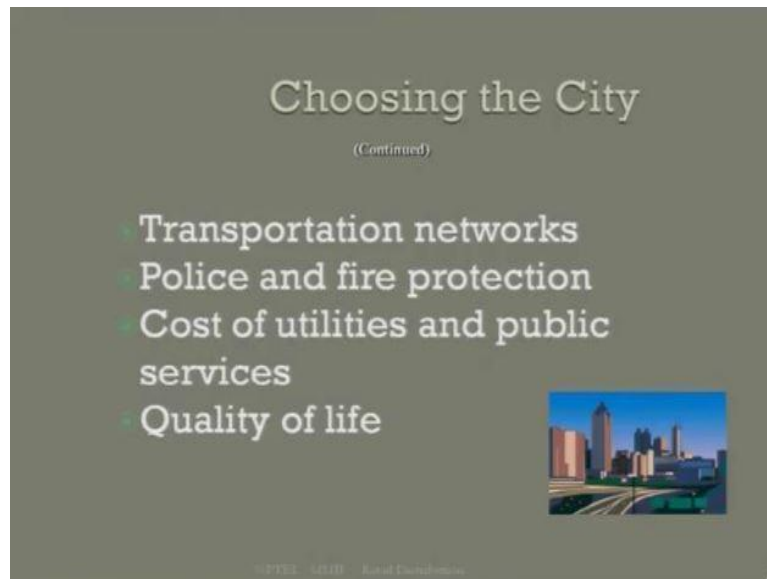
**(Refer Slide Time: 04:30)**



A clustering of other retail outlets and with compatibility with culture this is interesting and local laws and regulations. For example, as opposed to Delhi in UP you know, even though they are adjacent many areas of national capital region are actually part of UP. And there, laws are different and even cultures are different in Delhi as opposed to UP and social political regulations do not allows some large retailers in particular retailing in say, fresh vegetables, and groceries.

For a long time, they were not allowed to operate, because of the political pressure exerted by the small and medium size local stores. So, all these will have to be considered when choosing the city for your stores location, retail outlet location of course you will also have to see all supply chain and delivery chain site.

**(Refer Slide Time: 05:19)**



So, transportation networks protection cost of utilities and the real estate and cost of public services like you know, whether transportation service and various other kinds of utility as well as other public services will have to be looked at to decide the city and within the city, the location. And some cities have much higher demand for certain types of lifestyle items and those will have to be all factored in.

So, let us look at this, that retail and service location considerations. So, now there are areas where certain spot of development law creating lot of high rise buildings. So high rise buildings these 23 floors, 20 floor, 30 floor apartment, blocks they represent a huge concentration of certain types of consumers.

So, they are very good pattern for targeted retailing. So, in like in Kolkata new Goriya where then around the new metro station and the new railway station, vicinity, lot of new high-rise buildings, for middle income group and high-income group are coming up. Obviously and that creates a big opportunity for setting up big retail outlets. So, you can now go there and find big bazaar, Spencers they have all set up a big footprint to serve this new community.

So, in a way the particular area in Kolkata from between says new Goriya and the ruby hospital in that whole area. There are large number of corporate hospital and a large number of high rise building complexes. So, retailing of food beverage and other grocery and other day to day items and compete with the retailing of medicines and other health care items and very large retail formats have come up in this area.

Similarly say for example in Hyderabad in Gachibowli area, where there are many large corporate offices, lot of new residences, lot of new institutions which have come up. Then the big retail outlets are coming up there and if you visit this retail outlets you will often find that the stocking pattern. The category management strategies are quite different from say that in a place like Kanpur.

So many high-end items, many imported items many, variety of packaged food items will be available in this kind of places. So of course, we will have to always look at the degree of competition. So, there is in this area which I was talking about near new Goriya, ruby hospital area there is a metro cash and carry. There is a big format, big bazaar, the Spencer multiple outlets of Spencer.

So, if a new retail chain wants to enter into this area, they have to evaluate that. Because of the existing competition there is enough space for another competitor. So, and what format they should follow that of whether they should set up few medium sized stores or one very large sized store that they have to decide.

**(Refer Slide Time: 09:42)**

Retail and Service Location Considerations

New Garia or Gachibowli area – the locality from which the new retailer can expect to draw customers.

- Format compatibility
- Degree of competition
- Index of retail saturation (IRS)



So, to decide all of this one of the interesting measure is what is known as Index of Retail Saturation or IRS.

**(Refer Slide Time: 09:49)**

## Index of Retail Saturation

$$IRS = \frac{C \times RE}{RF}$$

where

C = Number of customers in the trading area  
RE = Retail expenditures = the average expenditure per person for the product in the trading area

RF = Retail facilities = the total square feet of selling space allocated to the related products in the trading area

NPTEL - IITB - Retail Distribution

So, IRS is represented is equal to C into our RE by RF where, RE is retail expenditure is equal to average expenditure per person for your product. The product that you are looking at in that trading area. So, like we were talking about Gachibowli your new Goriya area. So, RE will be the retail expenditure say for a powder milk, the average expenditure per person for that powder milk product line in that trading area.

And RF is equal to the retail facilities that is that total square feet of selling space already allocated to the related products in that trading area. So, basically therefore expenditure per square feet and multiplied by the number of customers in that trading area gives us some kind of retail saturation. So, the higher this number and that means there is a higher concentration or saturation.

So, the higher this number and that means there is a higher concentration or saturation whether what opportunity you have for what category in which location you know, you can determine by looking at this index of retail saturation. So, this is a very good guide for location as well as layout and stocking decision. The other interesting formula I would like to introduce to you is called the law of retail gravitation.

So, if you have demand patterns across a geography at from various places and just like in many other areas like, warehouse location or location of a bus depot or location of a taxi stand, all these can be determined by this kind of what we can the gravitational model. So here what we do is to do the retail gravitation analysis.

**(Refer Slide Time: 12:02)**

## Reilly's Law of Retail Gravitation

$$BP = \frac{d}{1 + \sqrt{P_b/P_a}}$$

where:  
 BP = Distance in miles from location A to the break point  
 d = Distance between locations A and B  
 P<sub>a</sub> = Population surrounding location A  
 P<sub>b</sub> = Population surrounding location B

NPTD - MDR - Retail Distribution

We say BP is equal to d divided by 1+square root of pb/ pa where, BP is the distance in miles or kilometers from location A to the break point. That means where we are looking at that possible location and D is the distance between location A and B. There are two already different demand centers and PA is the population surrounding location A. And PB is the population surrounding location B.

So, this will allow us, we know that this whole area from new Goriya or eastern metropolitan bypass of Calcutta, southern fringe of the city up to say the Goriya hat, Kasbah, ruby hospital that zone is a very promising zone as we were discussing many corporate entities are many high rise are being located there. So, Riley's law of retail gravitation this formula BP is equal to D divided by 1+ square root of pb/ pa given these explanations of various terms.

It will tell us that, if within a particular city area, we want to find pinpoint the location of our retail outlet, then using this basically population surrounding different locations and using this gravitational model, we can decide upon the exact a pinpoint exact location which will be most beneficial and these are very useful practical mathematical models for retail marketing management.

And of course, we have to look at retail compatibility that means for example, if you are going to set up a retail outlet for high end watches, then you have to carefully decide that whether you should set up such a retail outlet in this new Goriya area or the total aggregated demand for this watches each unit may be priced at fifty, eighty thousand rupees.



Maybe the whole of Calcutta can have only three such locations where will be enough to satisfy the entire demand coming from the different parts of the city and for such lend items often people will be prepared to travel distances. So, you do not have to decide in your retail location based on that the proximity or the convenience of travel people will be prepared to travel for this kind of specialty items.

So, the compatibility with respect to whether it is a specialty item, whether it is a convenience item these are to be considered. And we have also seen that index of retail saturation which we discussed a little while back and the degree of competition. So, these are the trade area sizes, transportation network and of course as we discussed physical socio political or emotional barriers.

**(Refer Slide Time: 16:03)**



Emotional barriers are also important because for example, in supermarkets when packaged food is sold, then normally many stores of the western format at particularly will have both non-vegetarian as well as vegetarian items. The cold storage part of the store will have cheese and milk products as well as vegetarian items. But they may also have chicken and egg and frozen meat and other items in the same area.

Because of technical reasons in the cold storage area, all these can co-exist. But that emotionally may not be acceptable in some areas. In India where population are predominantly vegetarian, they are sensitive to this. They do not want to see non-vegetarian items basically when they go for their shopping. So, in Gujarat therefore you may have to

decide your retail merchandising and self planning based on these kind of emotional or cultural reasoning.

**(Refer Slide Time: 17:17)**



So, locations and layout have to take into consideration scientific principles. But they can also have to take into this kind of social or emotional reasoning into account. Trade area sizes customer traffic at different times of the weekend, traffic during the day, adequate parking, reputation of the area from safety point of view you know, from pickpockets and stuff like that and some room for expansion visibility.

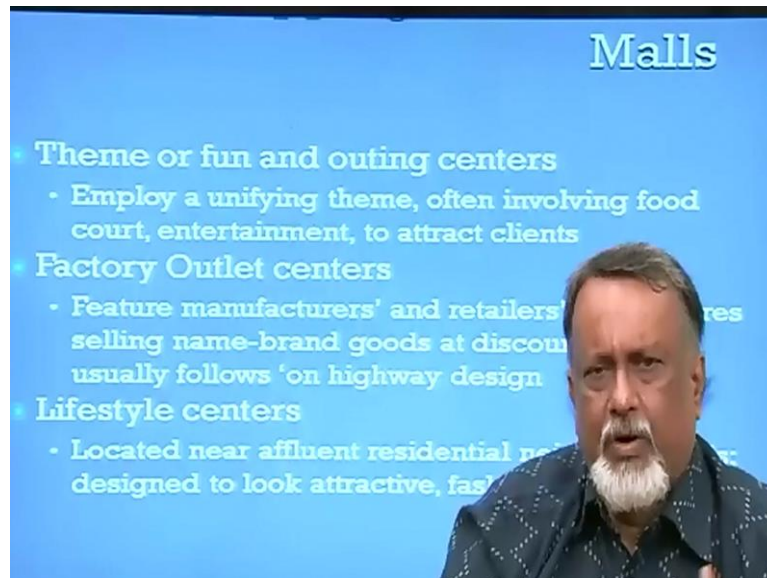
These are all also important considerations when you are deciding upon a new retail location in a city within a state within a region.

**(Refer Slide Time: 18:04)**



And so, the location options are like city centers or central business districts as they are often called or neighborhood locations, that means multiple locations smalls or format stores or shopping malls which can be small size malls, neighborhood malls or it can be large size look malls where people will travel to.

**(Refer Slide Time: 18:10)**



So, these are the various things that are to be considered when you are doing your retail location. Also, interestingly now, certain type of retail outlets are coming together. And they are giving some team to their outlet, this shopping center or the mall based on fun and outing. So, for example, in many cities in India today the malls which mainly cater to very high-end luxury brands to attract footfall in those malls, they have set up food courts or eating joints or fun and game joints where there are different income level people can walk in.

So, here we know that out of 100 people who may walk into the stores maybe only one will buy. But we do want that 100-foot people to come in. Because many times such purchases are aspirational purchases or impulse purchases or occasion purchases, if somebody is going to propose and the person may suddenly decide to buy a high-end ring from a branded jewelry store.

And at that point of time, you know that person must know where this is available to create that knowledge in the customers mind you have to attract customers into these malls for which actually you may create different kind of fun and game opportunities and so on. So, this theme based malls and primarily fun and outing and food and entertainment are

becoming quite a norm. The other interesting format of retail outlet location of these factory outlet centers.

These are normally where manufacturers and retailers high end name brands are sold at a discount. And often you will see these are located near the airport or some near the city as you are approaching the city. So, they have usually a highway location where lot of parking is available, lot of space is available and it is an attractive location which catches the eye. But it may not be in the city side.

Normally it will not be in the city center or within the business district. This will be out in the outlying areas and people will travel there because of this attraction of getting deal, getting a big discount on a high-end name brand. So, and then there are lifestyle centers.

**(Refer Slide Time: 21:17)**



So, another interesting thing particularly in the context of India is, this location decision near competitors or away from competitors this is a how people decide. Because you will find in many cities, all jewelers are located in the same area even though they are competing with each other. Because they do want people to know if you need jewelry, this is where you go. Whereas some other shops like a high shoes, they may try to find a location where the competitive intensity is less ultimately decisions will have to be made using that retail saturation index that we discussed.

**(Refer Slide Time: 21:51)**

**Layout**

- Layout – the logical arrangement of the physical facilities of a business that contributes to efficient operations, increased productivity, and higher sales.
- Study: Look and feel of employee work spaces is important consideration (after salary and benefits) when deciding whether or not to accept or to quit.

And the other concluding part of this today's discussion of this location is layout. So, layout is the logical arrangement of physical facilities of a business, a retail outlet. And layout is also subject to very interesting studies that other interest point in case of layout is that, layout is important not only from the customers perspective but also from the employee's perspective. It has been found in the retail industry that those outlets where the layout is spacious and gives a feeling of control, comfort the employee retention, becomes easier.

So, look and feel of the workspace is important from the employee's perspective and of course it is important from the customers perspective. Because that creates the store ambience. So, lay out the external factors size must be adequate to accommodate the business needs, appearance must create the proper image or personality for the business in the customers eyes.

**(Refer Slide Time: 23:26)**

## Layout: External Factors

- Size must be adequate to accommodate business needs.
- Appearance must create the proper image or “personality” for the business in the customer’s eyes.
- Entrances must *invite* customers to come in.

So, the layout of a high end Swiss watch store will be quite different from the layout of say a shoe shop. So, there are certain characteristic layout, because the way you are building the interior and you are doing the layout will create the personality of the store which must synchronize with the personality of the items.

**(Refer Slide Time: 23:50)**

## Building Interiors

- *Ergonomics* is an integral part of any design.
- Proper layout and design pays off in higher productivity, efficiency, or sales.
- Proper lighting is measured by what is ideal for the job being done.
  - Use of natural light can increase retail sales.
- Careful selection of colors can create the desired impressions among customers and employees.

So, ergonomics is an integral part of this design. Proper layout and design will be very important use of natural light for example, has been seen it increases retail sales. So, all these lot of studies have been made and all these are normally integrated in the interior decoration, interior layout, design decisions for retail outlet. So even careful colors, different colors schemes if you fully observe most of the high-end retail outlets very craftily use bright colors, sober colors, wild colors.



Or some very gaudy colors depending on that the particular merchandising in that particular. So, within the same retail outlet, a multi storied large retail outlet of say big bazaar or shopper or Spencers, you will see different color schemes at play three retail outlet pattern.

**(Refer Slide Time: 25:03)**



Usually the most regular used pattern is the grid pattern, where you have rectangular with parallel aisles. And so, this is actually you can also give a logical layout inter relationships which you found from the shopping pattern of people and it allows us to map the traffic flow. And accordingly do the aisle design, this grid pattern is the most used pattern. Because it efficiently uses the selling space. So, supermarket and self-service discount stores, they all use the grid.

**(Refer Slide Time: 25:51)**



Then the other thing is freeform. This is a little bit more informal, friendly. So, shoe shops or ladies garment shops often use this kind of informal layout where there will be some logic. But it will not be as that logic and they may be changing the assortments. There may be some places, where actually items are in heaped and some where they are very neatly stacked and they will be intermixed because to give that informal feel.

So, when you want to create a flash sale, there may be suddenly a place where there will be many items which are heaped. And then there are small specialty shops or boutiques and this is another kind of items will be brought out from inside or from stacks by the shopping assistance.

**(Refer Slide Time: 26:52)**



Because these are highly attended shops usually.

**(Refer Slide Time: 27:26)**



## Layout Guidelines

- Know your customers buying habits and plan your layout accordingly.
- Display merchandise as attractively as your budget will allow.
- Display complementary items together.
- Recognize the value of floor space; never waste valuable selling space with nonselling functions.

© 2013 - 2018 - Retail Performance

24

So, to conclude you should know your customers buying habits and plan your layout accordingly, display the merchandise as attractively as your budget will allow and display complimentary items together. These you can find by analyzing in real time the shopper's movement and the point of sale with respect to which items were bought in conjunction with which items and so on.

So, in fact know there is that famous study where it was found that at weekends you should have the baby diapers closer to places where you can buy beer or other drinks. Because people just drop in and by the weekend stock for these items and so that they do not have to come out. So young fathers, they do the shopping and so even though you will normally not think of any correlation between baby diapers and soft drinks, but it was found through careful analysis that is a shopping pattern.

So, they were co-located, but that co-location changes after the weekend. So, this kind of dynamic rearrangement of the layout are done today based on the analytics of the real-time sales data. Ultimately the whole idea is that you should optimize your return from the floor space, from the shelf space and as all your measures with respect to retail performance will be on the basis of per square feet, per shelves will be you have to maximize the turnover.

Because that will in a way factor in all your expenses on real estate, all your expenses on utilities light air conditioning and everything. So that sort of concludes our discussion on retailing channels partner distribution channels merchandising and store location store layout

and so on. Next set of discussions will be on integrated marketing communication. See you tomorrow. Thank You!