

The Role of Store Location in Influencing Customers' Store Choice

Divaries Cosmas Jaravaza & Patience Chitando

Department of Marketing,
Bindura University of Science Education,
P.Bag 1020, Bindura, Zimbabwe.

Correspondence Author: Divaries Cosmas Jaravaza

Abstract

The study investigated the role of store location in influencing customers' store choice. Two outlets that belong to the same supermarket chain were studied. These outlets shared similar management and marketing strategies. A descriptive survey of customers and management was done through the use of questionnaires, interviews and observations as research instruments. It was noted that outlets with better parking space attracted high income earners, whilst proximity to other complimentary outlets increased pedestrian store traffic. Out of ten factors that may influence store choice, seven factors were considered by customers to be pertinent. Of the seven factors, four were store location features, namely travelling time, location convenience, proximity to complimentary outlets and store visibility. This study is very critical to retailing strategists and marketers since location require consideration prior to trading, any error in this regard will now be cast in concrete and it will be expensive to alleviate.

Keywords: all pay auctions, supply uncertainty, discriminatory auctions, experimental economics,

INTRODUCTION

With retailing picking up and consumers becoming choosy, it becomes vital for retailers to look out for new avenues and opportunities to boost sales revenues. Intense competition in the market has forced retailers to reconsider their strategies. Retail and service centres are often the final selling points in a physical distribution network. They include facilities like departmental stores, supermarkets, hypermarkets and many more. Location analysis for these points is highly sensitive to revenue and accessibility factors rather than cost factors.

The location of a retail store plays a very important role in its success; it is an integral and crucial part of the retail strategy as the location of the store conveys a lot about its image. It also influences the merchandising mix and layout of the store. Once setup, a retailer can change its merchandise mix, adjust prices, improve communication or services but it is very difficult to change the location. The research explored how location influence store choice in the retail sector.

LITERATURE REVIEW

Store Location Defined

Mendes and Themindo (2004) define store location as the physical space occupied by a shop, they further attribute that, it is the catchment area of a shop which experiences intense economic and commercial activities. Store location incorporates trade area analysis and retail site analysis. A trade area as defined by Levy, Weitz and Beitelspacher (2012) is a

contiguous geographic area that accounts for the majority of a store's sales and customers. The trading area analysis usually provides the basis for delineating both the trading area of a new store and that of an existing store. This is usually done by evaluating the demographic characteristics of the area. Many retailers use the geographic information systems (GIS) software to determine their trading areas. On the other hand, retail site analysis is the next step in evaluating alternative *specific store sites* which can be an isolated store, unplanned business district and the planned business district coupled with site characteristics such as traffic flow, visibility and terms of occupancy just to name a few.

Importance of Store Location to a Retailer

The importance of store location to a retailer should not be underestimated. Why is store location such an important decision for a retailer? First, location is typically one of the most influential considerations in a customer's store choice decisions. For instance, a working couple can easily decide to shop at the shop nearest to their bus terminus on their way from work. Most consumers similarly shop at the supermarket closest to them.

Second, location decisions have strategic importance because they can be used to develop a sustainable competitive advantage. If a retailer has the best location, that is, the location that is most attractive to its customers, competitors are relegated to occupying the second-best location. (Levy et al, 2012).

In general, a good location may enable a retailer to succeed even if its strategy mix is mediocre. On the other hand, a poor location can be such a liability that even the most able retailer may be unable to overcome it. The selection of a store location generally requires extensive decision making by the retailer because of the number of factors or criteria to be considered. These include the size and characteristics of the surrounding population, the level of competition, access to transportation, the availability of parking, and the attributes of nearby stores, property costs and the length of a lease agreement as well as legal restrictions. A store location usually requires a sizable financial investment and long term commitment by the retailer.

According to Berman and Evans (1995) store location has a strong impact on a retailer's long run and short run planning. In the long run, the choice of a location affects the firm's overall strategy. The retailer needs to be at a store site that will be consistent with its organizational mission, goals and target market over an extended period of time. In the short run, store location influences the specific elements of a retail strategy mix.

Trade Area Analysis

According to Berman and Evans (1995) store location selection is viewed as a process with basic steps to be taken into consideration. Berman and Evans advocate that the first step in the choice of a retail store location consists of describing and evaluating alternative trading areas and then deciding on the most desirable one. Levy et al (2012) defines a trading area as a contiguous geographic area that accounts for the majority of a store's sales and customers

After a trading area is picked, it should be scrutinized regularly. A thorough analysis of trading areas provides the retailer with several benefits. These include knowing: the population size and characteristics, economic base, competitive situation, availability of store locations, regulations as well as the availability of labour in the area.

SITE CHARACTERISTICS

Traffic Flow

According to Levy et al (2012), one of the most important factors affecting store sales is the number of vehicles and pedestrians that pass by the site (traffic flow). Thus, retailers often use traffic count measures to assess a site's attractiveness. Good traffic flow and accessibility offers the one hundred percent type of location which in turn optimizes store performance. There are two types of traffic flow namely pedestrian traffic and vehicular traffic.

a) Pedestrian Traffic

This is the number and type of people passing by; it is probably the most important measure of locations

and site's value. However, the site with the highest pedestrian traffic does not necessarily mean potential customers; retailers should be able to convert the traffic into sales. According to Berman and Evans (1995) a proper pedestrian traffic count should encompass these four elements:

- A separation of the count by age and gender - children under a certain age should not be counted.
- A division of the count by time – this allows the study of peaks, low points and changes in the gender of people passing by the hour.
- Pedestrian interviews – these enable researchers to find out the proportion of potential shoppers.
- Spot analysis of shopping trips – these allows observers to verify the stores visited.

b) Vehicular Traffic

The quantity and characteristics of vehicular traffic must be examined, especially by retailers appealing to customers who drive there. Grocery stores, convenience stores and car washes are often examples of retailers that rely on heavy vehicular traffic. Vehicular customers always avoid heavily congested areas and shop in areas where driving time and driving difficulties are often minimized. However, in down town areas, closeness to mass transportation is important, particularly for people who do not own cars and commute to work. The availability of buses, taxis, commuters or any other kinds of public transit creates areas that are at the hub of mass transportation network, therefore allowing people from all over a city to shop there. Research has shown that with the increase in number of working women worldwide, shopping time is fast becoming a scarce resource; as a result, many folks do their shopping on their way back home from work, hence public transport ranks are becoming popular with retailers as they provide an easy flow of potential customers.

Parking Facilities

According to Levy and Weitz (2012) the importance of good parking facilities must not be overlooked in assessing a location and specific sites in it. The amount and quality of parking facilities are critical for evaluating a shopping centre and specific site within the centre. On the other hand, if there are not enough spaces or the spaces are too far from the store, customers will be discouraged from patronizing the store. Moreover, if there are too many open spaces, the shopping centre can be perceived as having unpopular stores. A standard rule of thumb is 5, 5:1000 that is five and one-half spaces per thousand square meters of retail store space.

Retailers need to observe the shopping centre at various times of the day, week, and season. They also must consider the availability of employee parking,

the proportion of shoppers using cars, parking by non-shoppers and the typical length of a shopping trip. An issue closely related to the amount of available parking facilities but extended into the shopping centre itself is the relative congestion of the area. Congestion is an excess level of traffic that results in customer delays. There is an optimal level of congestion for customers. Too much congestion can make shopping slow, irritate customers and generally discourage sales. However, a relatively level of activity in a shopping centre creates and stimulates sales.

Store Composition

Store composition incorporates the number and size of stores in a location, affinity and retail balance. The number and size of stores in a location should be consistent with the kind of location selected, it is simply a matter of how many stores are there and how large are they? Usually a cluster of stores generates lots of customer traffic; this approach is based on the principle of cumulative attraction which states that a cluster of similar and complementary retailing activities will generally have greater drawing power than isolated stores that engage in the same retailing activities, (Levy et al, 2012). On the other hand, affinity exists when the various stores at a given location complement, blend and cooperate with one another, and each benefits from the other's presence. With a strong level of affinity, the sales of each store would be greater, due to the high level of customer traffic, than if the stores are situated apart from each other.

According to Cant (2010) retail balance refers to the mix of stores within a district or shopping centre. Proper balance occurs when the number of store facilities for each merchandise or service classification is equal to the location's market potential, this is usually when a wide range of goods and service classification is provided to ensure one stop shopping; when there is an adequate assortment within any goods or service category; and when there is a proper mix of store types that is tenancy balance.

Specific Site

Besides the factors already detailed, the specific site should be evaluated on the basis of visibility, placement in the location, size and shape of the lot, size and shape of the building and condition and age of the lot and building. As defined by Levy et al (2012) visibility refers to a site's ability to be seen by pedestrian and vehicular traffic. High visibility makes passersby aware that a store exists and is open. On the other hand, placement in the location refers to a site's relative position in the district or centre. A corner location is often desirable since it is situated at the intersection of two streets and has "corner influence". Corner locations is often characterised by these advantages; greater pedestrian and vehicular

passersby due to converging traffic flows from two streets, increased show-window display area, and less traffic congestion via the use of two or more entrances.

Corner influence is greatest in high volume-retail locations. Placement decisions should be keyed to retailer needs. This is because some advantages of corner locations are reduced in other types of locations for instance, in a shopping centre where stores have more window-display space without the need for corner locations. The size and shape of the lot as well as the condition and age of the building should be evaluated and the site characteristics measured against the needs of the firm.

Terms of Occupancy

Terms of occupancy includes ownership versus leasing, the type of leases, operations and maintenance costs, taxes, zoning restrictions, environmental and sustainability issues. All these must be considered and weighed in the task of choosing a specific store site to decide on the best possible location with higher returns to the retailer.

Accessibility

Levy and Weitz (2004) defines accessibility as the ease with which a customer may get into and out of a site. Accessibility analysis considers the primary trading area. To assess a site's accessibility, a retailer simultaneously evaluates several factors such as road patterns, road conditions and barriers. In road patterns, primary trading areas needs major arteries or freeways so customers can travel easily to the site. Road condition includes age, number of lanes, and number of stop lights, congestion and general state of repair of roads in the primary trading area.

Other Factors Affecting Consumer Store Choice

According to Levy et al (2012) successful retailers are customer centric their strategic and tactical decisions revolve around their present and potential customers. Customers make decisions about what stores to patronize, products and services to use and channels to use. Store choice decisions in the food retailing industry have been widely discussed in the literature. It is well known that consumers make periodic visits to supermarkets (stores) to satisfy their consumption needs in many categories. According to Berman and Evans (2010) consumers' decision to shop at a supermarket is in general based on location or convenience, assortment and quality of merchandise, service quality, price image, ambience conditions and promotions as well as brand selection.

Theory assumes that a specific store type is chosen and then a specific store within this store type. Previous literature concludes that several variables, like assortment, location and price among others, influence store and store type choice, (Baumol and Ide, 1956). This work considers specific consumer

attitudes, towards quality, freshness, environment, advertisement, organic food and prices, and several socio-demographics. These attitudes influence store type choice, and assuming there is a true relation between these choices, an implied image order can be established.

RESEARCH METHODOLOGY

This study was a descriptive research, which is a type of research that tries to explore the cause of a particular phenomenon, present facts concerning the nature and status of a situation as it exists at the time of study and portrays an accurate profile of persons, events or situations based on the impressions or reactions of respondents of the research, Creswell (1994). It is also concerned with relationships and practices that exists, beliefs and processes that are ongoing, effects that are being felt or trends that are developing.

Convenience sampling was used in the selection of the two outlets. Systematic sampling of respondents was done. Systematic sampling is defined as a probability sampling method that uses a skip interval of the target population in selecting the sample, Hair et al (2000). Customers were selected at shop exits using a skip interval of four which was derived from the formula: skip interval = population size /sample size, 160/40 = 4.

According to Azar and Momeni (2005) research population is divided into two classes: restricted and unrestricted. According to them, the unrestricted population’s sample size is determined by the researcher’s discretion whereas the restricted has a stipulated formula. The researchers used a sample size of forty customers. A self administered questionnaire was used to gather data from customers. Only shop managers were interviewed. Observations were also done at different times of the day for thirty days.

FINDINGS AND DISCUSSIONS

From an economic perspective, consumption is a function of income as pointed out by Samuelson and Nordhaus (2005). It follows that income earned influence people’s perceptions, lifestyles and shopping trends and generally affects store choice decisions. In this case, higher income earners prefers the quieter and less crowded environment provided by the Angwa store than that of the Mbuya nehanda store.

This scenario is shown on fig 1 below.

Income of Respondents

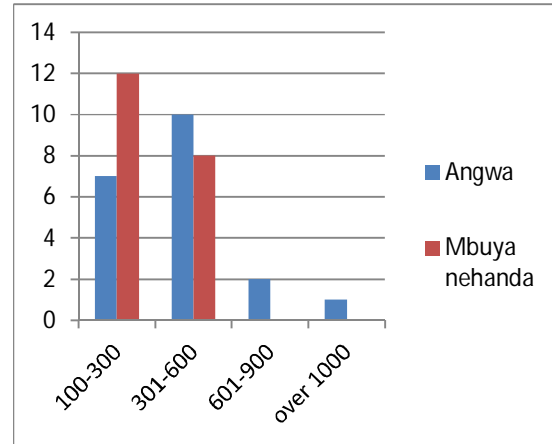


Fig.1: Income of respondents
Source: Primary data

Means of Transport

The trade areas of these two branches are generally different with different demographic characteristics altogether. The Angwa branch customer base has a balanced share of both low lifestyle customers and higher lifestyle customers with the latter composition slightly higher than the former. Driving customers prefers shopping environments with better parking possibilities and better vehicle security measures as a result Angwa supermarket is a better option than the downtown Mbuya nehanda supermarket. On the other hand, Mbuya nehanda supermarket customer base is largely dominated by pedestrians who rely on public transport services that surround the store. This is illustrated in fig 2 below:

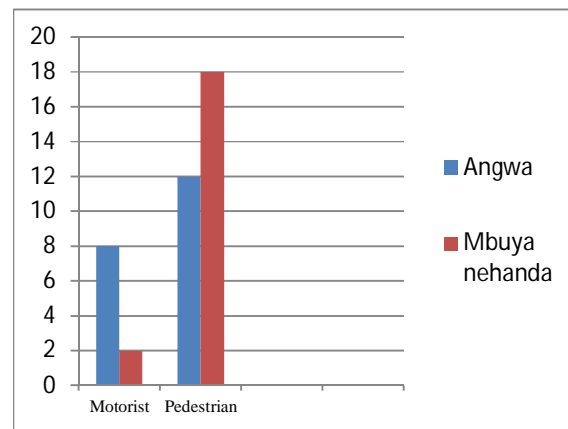


Fig 2 shows means of transport of respondents

Factors Affecting Customer Store Choice

According to Levy et al (2012) store choice decisions by customers are usually hinged on location convenience, assortment, quality of merchandise, service, price, image, promotions as well as brand image. The researchers took this concept into consideration in order to derive the effectiveness of

each factor in the supermarket customers' store selection decision criteria. The graph below shows how customers rated the various factors in selecting a shopping destination.



Fig. 3: factors affecting customer store choice
Source: Primary data

Of the ten factors indicated, the factors which are considered most important by customers are travelling time (81%), service quality (80%), location convenience (78%), ambience conditions (65%), price affordability (62%), nearness to complimentary outlets (56%) and store visibility (48%). The importance levels decreases further with the other factors like store image, merchandise assortment (brand selection) and parking possibilities getting least consideration as decisions for store choice.

The data indicates that of the ten factors, only seven are important considerations when choosing a shopping destination. Of the seven factors, four are store location characteristics namely, travelling time, location convenience, nearness to complimentary outlets and store visibility. The other three are ambience conditions, prices, service quality. This trend shows the importance of store location variables in selecting a shopping destination. As much as customers are interested in prices, service quality and ambience conditions, they also take into consideration the convenience offered by the location.

For instance, from the above demographic analysis, the population is dominated by single families who also work, as a result of this; shopping time has become a scarce resource to such an extent that customers prefer shorter travelling distances to stores, easily identifiable shopping outlets like corner locations as well as convenience in terms of complimentary outlet existence. The Mbuya nehanda branch is conveniently located and surrounded by public transport ranks such that working customers who shops after work prefer shopping downtown

where they shop and get in a commuter without hassles.

Store Traffic as a Function of Store Location

To find out the relationship between store traffic and store location, the researchers used observation techniques to observe traffic patterns of the two branches at different time intervals. The results are presented in the graph below.

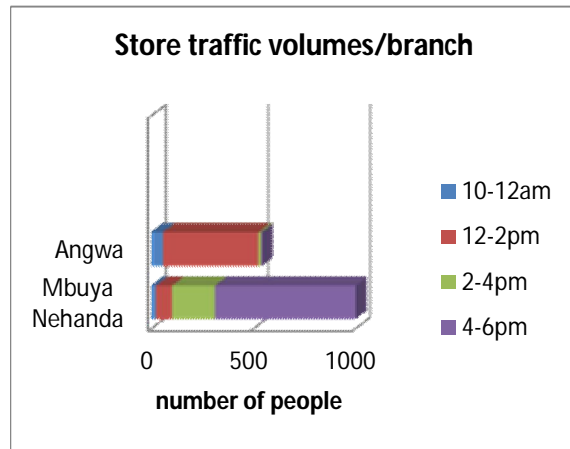


Fig.4 Multiple Bar graph showing store traffic volumes within the allocated time frames
Source: Primary data

The graph shows different traffic patterns for the two branches at different day times. The Angwa street branch experienced large traffic volumes between the 12-2pm time-frame which constituted 78% of the total traffic per day of 600 people and a 9% between the 10-12am zone, however, from 2-6pm the traffic volumes decreased. On the other hand, the Mbuya nehanda branch experienced its greatest store traffic volume between the 4-6pm time-frame which constituted a 69% of its total traffic per day of 1000 people. However, for Mbuya nehanda, traffic increases as the day progresses reaching its peak levels towards day end. Noticeably, Mbuya nehanda traffic is 1000 people per day and Angwa is 600 per day.

The information above, shows a trend derived from trade area analysis. The trade area characteristics of these two locations are different hence the different shopping trends. The Angwa customer base is characterised by informal dealers from the Zimex mall who buy their breakfast and lunch from the store hence its greatest traffic volumes are hinged on the 10-12am and 12-2pm time-frames. The Mbuya nehanda customer base consists of the working class who prefer to do their shopping after work on their way home, this is evidenced by the large traffic volume between 4-6pm zone. The information also shows that shopping time has become a scarce commodity for the single parents; hence they do their shopping after work on their way home. All in all,

Mbuya nehanda has more traffic volumes than Angwa due to its positioning which is surrounded by public transport ranks that aid customer convenience, hence, store traffic is a factor of location.

CONCLUSIONS AND RECOMMENDATIONS

This study tried to understand the relationship between store location and sales performance especially in retail chain stores that uses similar marketing strategies for all their branches, two supermarkets in the city of Harare were used as a case study. The research shows that customer store choice decisions are heavily hinged on store convenience, this is because, many consumers have the time poverty syndrome and can afford to shop usually after work hours. As a result, they heavily rely on stores that offer convenience, shorter travelling distance as well as complementary services such as public transport ranks so as to reduce fatigue of moving around after work.

This study also proved that different locations have different trade area characteristics, hence, different traffic volumes. In this research, a down town location surrounded by public transport ranks like the Mbuya nehanda branch had higher traffic volumes all day round, usually pedestrian traffic, and this traffic also influences the higher store traffic patterns of the store. However, this was not so with the Angwa branch that only experienced high traffic flows during lunch hour. Overall, this proved that store traffic is a function of store location.

In general, a good location may enable a retailer to succeed even if its strategy mix is mediocre. On the other hand, a poor location can be such a liability that even the most able retailer maybe unable to overcome it. Store location has a strong impact on a retailer's long run and short run planning. In the long run, the choice of a location affects the firm's overall strategy. The retailer needs to be at a store site that will be consistent with its organizational mission, goals and target market over an extended period of time. In the short run, store location influences the specific elements of a retail strategy mix.

For further research, the use of advanced statistical modelling techniques such as CHAID (chi square automatic interaction detection) and spatial allocation models will improve accuracy in testing concepts. The study did not dwell on a detailed analysis of the factors raised by customers. Future researchers who also want to look into store location and retail performance analysis should also consider retail chains with different marketing strategies.

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