

ASSESSMENT OF BUSINESS POTENTIAL AT RETAIL SITES: EMPIRICAL FINDINGS FROM A U.S. SUPERMARKET CHAIN

Abstract

We address the problem of estimating retail business potential at alternative sites, with concern for assessing performance relative to potential in existing markets and for identifying the best sites for expansion into new markets. At question is the utility of information typically used in formal retail patronage models, in comparison with additional information judged important by retail executives. We gather relevant data from secondary sources and conduct intensive in-store surveys to produce a portfolio of information about neighborhood demographics, store ambience, variety and quality of products and services, relative prices of selected products, etc. for stores in a retail grocery chain and competitive stores in the chain's markets. We experiment with alternative statistical models for store performance to determine the consequence of restricting the types of data available when constructing the models. Our findings suggest that while information about store location and surrounding areas, store characteristics and competitive position are all required to obtain the best assessment for business potential at a site, a few key variables on each dimension offer the bulk of explanatory power. Further, the spatial-locational variables affect all measures of store performance in intuitive directions, whereas the effects of other variables differ according to performance measure and reflect the store's market position.

Full citation:

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