Trading Area Analysis

Dr. Swagato Chatterjee

VGSOM, IITKGP

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Location, Location, Location

- **Criteria to consider include**
  - population size and traits
  - competition
  - transportation access
  - parking availability
  - nature of nearby stores
  - property costs
  - length of agreement
  - legal restrictions

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Choosing a Store Location

Step 1: Evaluate alternate geographic (trading) areas in terms of residents and existing retailers

Step 2: Determine whether to locate as an isolated store or in a planned shopping center

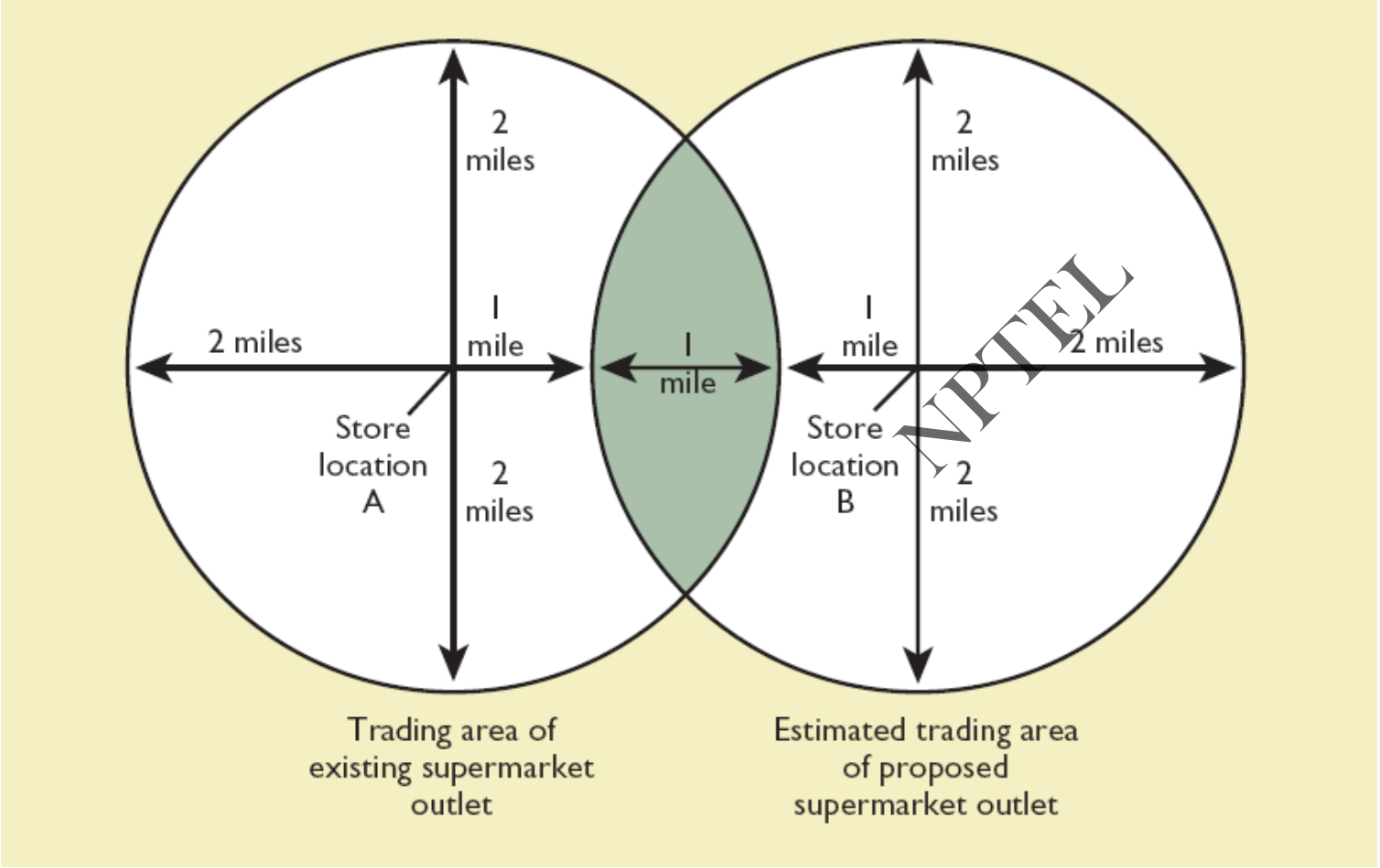
Step 3: Select the location type

Step 4: Analyze alternate sites contained in the specific retail location type

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The Trading-Areas of Current and Proposed Outlets

https://www.youtube.com/watch?v=qPszDQ9g7GA&feature=youtu.be



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Destination Versus Parasite Stores

- **Destination stores** have a better assortment, promotion, and image.
- They generate trading-areas much larger than competitors.
- Dunkin' Donuts: "It's worth the trip!"

- **Parasite stores** do not create their own traffic and have no real trading-area of their own.
- These stores depend on people who are drawn to area for other reasons.
- Magazine stand in office building

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Analog, Regression and Gravity Models

- Analog models– simplest. Revenue estimates based on similar stores, competition, expected market share, size and population density
- Regression models- looks at population size, average income, transportation barriers and traffic patterns
- Gravity models– looks at distance and shopping selection at given location

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Reilly's Law (1 of 2)

Reilly's law of retail gravitation—a traditional means of trading-area delineation—establishes a point of indifference between two cities or communities so that the trading-area of each can be determined.

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