

Webinar: A more sustainable method to retail network development in SA

In a new webinar by Africascope, geospatial specialist Craig Schwabe explores several issues associated with the retail sector in South Africa, including declining profits and revenue, cannibalisation and negative revenue growth of outlets.

A key reason for this decline in profits and revenue over several years he attributes to the industry's continued use of site feasibility and profiling when opening new outlets.

"The sustaining of the retail network requires the use of geospatial methods and scientific approaches. This includes the use of data frameworks to define all the information needed to develop retail networks. It is emphasized that there is a need to consider theoretical frameworks that describe how retail networks develop," Schwabe notes.

A comparison of site feasibility or profiling methods with network optimisation methods is presented. According to Schwabe, there is a need to define the unique target markets for different retail sectors and the capacity required in these target markets for different types of retail outlets and of different sizes. There are subpopulations within the target market that must be taken into consideration.

For example, the working versus the residential population as well as subpopulations such as visiting commuters and

tourists. The market share and growth potential of a retailer has a significant influence on the development of its retail network.



Why smaller fast food outlets are part of SA's future

Craig Schwabe 3 Jul 2020



He adds that understanding where existing retail outlets of the same brand occur, as well as the location of competitor outlets and preferred sites for locating new outlets, is vitally important in the development of retail networks.

"Trade area analysis is a valuable approach in identifying the unique geographic area of outlets. It is used to define primary and secondary trade areas that indicate the market potential required for an outlet to be financially viable and generate profits. The trade area is defined either by accessing actual customer data or by using capacities in the target market. It is the only mechanism by which the average travel time and travel elasticity of customers can be effectively defined for use in developing optimized retail networks," Schwabe says.

"Without geospatial methods, the conducting of retail network optimisation is not possible. Geospatial methods include aspects such as the development of distance matrices, defining appropriate spatial units of analysis and setting up multilevel transport networks with varying modes and travel speeds.

"Accessibility modeling is the methodology that allows much of the above to be conducted and a demonstration is given as to how this is accomplished. These scientific approaches and geospatial methods allow opportunities for new outlets to be identified, existing outlets in optimum locations to be recognised and outlets that need to be relocated to be optimally located in the network to be targeted.

"These more holistic approaches consider a multitude of factors ensuring that retail networks are optimised and lead to more profitable and sustainable retail outlet networks in South Africa," Schwabe notes.

For more, visit: <https://www.bizcommunity.com>