The Location Types of US Retailers

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ABSTRACT

This manuscript presents the results of an inductive analysis of the types of locations chosen by US retailers. Using a large cross-sectional database, including fifty US retail chains and over 70,000 store locations, a classification of retail location types is presented using cluster analysis on situational and trade area data. These data are then applied to create a location profile for each retailer. Based on the results of the first cluster analysis, a second cluster analysis then groups together the chains with the most similar location profiles. A total of twelve distinct location types were identified in the first cluster analysis. Eight groupings of retailers with similar location profiles were identified in the second cluster analysis. Retailers within the same retail business chose similar types of locations and thus were placed in the same clusters. Retailers generally restrict their deployment to one of three overall strategies including metropolitan, large retail areas, or market size variety with specialty retailers favoring large retail areas of urban markets.

KEYWORDS
Business Geography, Cluster Analysis, Customers, Demographics, GIS, Market, Retail Location, Target, Trade Area, Typology, Walmart

INTRODUCTION

Every year, most large US retail chains make dozens, if not hundreds, of locational decisions to open new stores or close existing ones. Locational decisions have internal and external impacts. The internal impacts are on the opportunities for new store growth and how to operate the stores within the framework of the locational diversity of the chain, while the external impacts are on communities, real-estate developers, co-tenants, competitors, and other stakeholders. While each location is evaluated individually in great detail, certain retailers tend to favor certain types of locations based on factors such as retail type (category killer, mass merchandiser, etc.), region, store count, store size, and urbanization. For example, according to its company website (corporate.familydollar.com), discount chain Family Dollar prefers 7,000 to 10,000 square foot stores in neighborhood or convenience shopping centers or free-standing buildings that are near low-to-middle income segments of the population in its existing regions.

Location types matter to retailers. Thrall (2002) used the term “value platform” to encapsulate the entire shopping experience that a consumer receives from the purchase and consumption of a good or service. The value platform includes factors such as personnel, service, and display of goods, as well as the situational aspects of store location. The type of location is not only part of the shopping experience, but has an effect on numerous other components of the business. For instance, retailers must decide how to present each store to the market, and whether they can be consistent across their

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chain networks in building the brand in regards to product assortment, marketing, and other factors. Large chains, whether in store count or total square footage, need to appeal to many segments of the population in order to keep adding new store locations and thus they cannot always deploy stores in their most desired retail areas. Consider that Walmart, which has traditionally located in smaller towns or suburban areas, is increasing its presence in urban areas (D’Innocenzio & Beck, 2011). One can find a retailer such as Staples (office supply) in the urban core, suburbs, and small towns situated in power centers, lifestyle centers, grocery-anchored neighborhood centers, super-regional centers, malls, stand-alone locations, or on the ground floor of skyscrapers. Retailers that can succeed in more diverse location types have more flexibility for expansion but may face a greater challenge of maintaining consistency. In this article, we attempt to establish the theoretical basis for locational decisions and the associated level of consistency of location types.

The objective of this article is to address two research questions. First, what are the location types of major US retailers? Second, which retailers have similar location types? Before we can evaluate the types and diversity of locations for large retail chains, we first need to develop a typology of retail locations. There is no comprehensive typology of retail locations in the academic literature. Further, aside from studies on a few particular chains such as Walmart (Zhu & Singh, 2009) and others (Karande & Lombard, 2005), there is minimal formal knowledge of the types of locations chosen by major US retailers. The International Council of Shopping Centers (ICSC, 1999) provides a classification of retail centers into categories such as neighborhood, power, or lifestyle centers, to name a few. Their classification system, however, is based on the characteristics of the retail property itself, not on the surrounding area. The suitability of a retail location is determined not only by the site or center itself but also by situational factors, including proximity of other retailers off-site, accessibility, and characteristics of the customer base in the trade area. Furthermore, the ICSC classification system covers only retail centers, not stand-alone store locations, which may comprise a large percentage of the stores of some chains.

This article presents the results of an inductive analysis of the types of locations chosen by US retailers using one of the largest cross-sectional databases of retailers ever assembled. With fifty of the largest retail chains, and over 70,000 store locations, we present two distinct cluster analyses. First, situational and trade area data at the geographical scale of the store are used to categorize the store locations into empirical groupings of retail location types. Based on the clustering of individual stores, a second cluster analysis groups together the retailers with the most similar location profiles. Finally, the chains and categories of chains are analyzed based on factors that explain their location profiles.

RELEVANT LITERATURE

Chain store retailing is complex because every store trade area will have various customer types. Consumer demographics affect the demand for products and responses to promotions. Furthermore, stores are in a number of different types of sites, situations, and competitive environments. In this treatment, we consider location types as encompassing both the site itself and the situational aspects including trade area demographics. There may be considerable diversity among the location types chosen by retailers and overall by categories of retailers. The following literature review is presented to address the factors behind this diversity and the resultant effects on the choice of why retailers choose particular location types. We also discuss how the structure of retailing is continually evolving based on consumer preferences, macroeconomic factors, technological innovations, and their impacts on store deployment.

Customer Types

There has been an exhaustive amount of research suggesting that not all consumers have the same shopping behaviors nor do they all react similarly to promotions (Burt & Gabbott, 1995; Hortman et al., 1990; Johnson-Hillery et al., 1997; Lumpkin et al., 1986; Stone 1954; Theodoridis & Chatzipanagiotou,
GIS Use for Mapping Land Degradation: A Review of Research Carried Out in Tunisia

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