

Retail network optimization in SA must be more holistic

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To ensure that a retail networks' outlets are optimum in location and number, requires a more holistic strategy that is not presently being used in South Africa. A holistic strategy must take into consideration a multitude of factors including the unique target market of a retail chain and the capacity required for a retail outlet to be financially viable. The travel time across a transport network using different modes of transport is another key consideration. The location of a brand's existing retail outlets and that of their competitors must form part of developing the holistic strategy. The preferred sites where new outlets should be located and areas of exclusion, are other key parameters.



Both Greenfield and Brownfield approaches must be used in developing optimized retail networks. The Greenfields approach looks at defining the optimum number of retail outlets considering the size of the target market. The Brownfields approach considers all factors mentioned above, and when compared to the outcome of the Greenfields approach, a decision can be taken as to whether the retail network should be expanded, relocated, or rationalized. A selection of models should be used to maximize the market share, ensure coverage of the target market, or minimize the travel time in optimizing the retail network.

In South Africa at the present moment, most of the retail development is done using site feasibility or profiling methods. This is in contrast to the use of accessibility modelling methods that provide a more holistic strategy for retail network optimization. Proposed sites are often associated with new developments and the construction of new malls. In contrast, potential sites are generated when using accessibility modelling methods. A comparison of proposed and potential sites shows that the proposed sites are often not optimally located. By a retail brand taking up the proposed site rather than the potential site, could result in competitor's choosing the better potential site. This may ultimately result in the retail brand that has chosen the proposed site causing their retail network to become destabilized.

Even though accessibility modelling has many advantages over site feasibility or profiling, there is still value in using profiling once a proper retail network optimization strategy has been implemented. However, several factors must be considered in deciding on the trade area of the proposed site. These include the zoning or how the trade area is to be defined and the scale, which is the size of the trade area. The type of socio-economic indicators that should be used as well as the statistical methods in defining the suitability of the site should be carefully considered. The aim of any retail brand should be to optimize their retail network so as to maximize the market share in the smallest area possible. Accessibility modelling is by far the better method to use in accomplishing this.

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