

THE EFFECT OF A SMALLER STORE ON OVERALL STORE PERFORMANCE

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ABSTRACT

Majority of brick-and-mortar retailers in Bharat assume that: (a) existing store size is good to their marketing format, (b) inventory show density per area unit is perfect, (c) larger the shop size higher the buyer walk-ins, (d) additional premium the shop location additional premium the perceived mercantile establishment whole positioning in customers mind, (e) larger the shop size higher the shop revenue and most significantly, (f) store revenue reduces in proportion to reduction future size. Such assumptions and wide followed apply have resulted in increasing pressure on store in operation prices for several years. Brick-and-mortar retailers ought to perceive the importance of store rent and its implications on the store profitability to attain a property store level profit and to attain this they have to rationalize stores size on consistent basis. during this analysis, we've got analyzed the present store size across locations of a pick merchant in reference to overall store profitability, hand-picked few loss creating stores; particularly those that are delivering losses because of higher rent and bigger store size, reduced these stores size while not compromising the buyer expertise side, evaluated the store performance over an amount of 11 months to grasp the changes in: (a) shopper walk-ins, (b) store revenue, and (c) overall store profitability.

Keywords: Brick-and-Mortar Store, Offline Store, Physical Store, Store Image, Store Size, Store Rent, Store Operating Costs.

INTRODUCTION

Store size determines most of the shop operational prices, be it mounted or variable in nature viz., rent, electricity charges, inventory holding, variety of sales personnel, house-keeping charges, maintenance prices, security connected prices, fixtures etc. Rental element of this price structure contributes to the biggest a part of charge structure of a store and therefore the same varies in proportion to store size and placement at the side of steady increasing year-on-year on pre-agreed terms Lassk (2000). One may argue that a brick-and-mortar retail merchant should open stores in locations that are out there at lesser rent per sq. ft., however sadly it's not that easy, it's really complicated in nature. Each retail merchant has to have their store presence in several locations to own strategic advantage as so much as retail merchant whole image in customers mind worries and thence it's inevitable for retailers to open few stores in premium locations Lindquist (1974). Rent is one in every of the foremost vital prices in merchandising that holds important share of overall merchandising price structure and thanks to its charge nature store rent becomes even a lot of important side of merchandising that has direct impact on overall store revenue and merchandising profit. Several researchers have seen that the shop size is incredibly vital to work out the shop layout, atmosphere and variety of facilities which might be provided as a part of overall store expertise. The buyer angle to store size is that the one that puts several brick-and-mortar retailers in perplexity whereas considering the optimum store size for his or her specific merchandising formats. The shop size becomes even a lot of vital for retailers giving

multi-category and multibranded giving in their stores and job to multiple life-stage wants of a client Mazursky & Jacoby (1986).

Researchers in this past have thought-about store layout/atmosphere mutually of the elements of store image construct and notably of these researchers were fascinated by knowing the connection between store image construct as an entire and client behaviour Osman (1993). Obscurity these studies were attempting to attach the value of building and managing the shop image with overall store profit. Despite empirical, theoretical and descriptive literature out there on overall store image construct, we tend to weren't able to realize in-depth literature specifically focused on store size that we'd apply and value if the methodology is ready to answer our key analysis queries within the Indian context (Reynolds et al., 2007).

CONCLUSION

In most of the cases, larger the shop size higher the rent, overheads, maintenance, sales personnel and every one of those along contribute to the bulk of selling charge. Except rent most of those value factors sometimes vary in proportion to the shop size across all locations at intervals a rustic, whereas rent isn't, that varies consistent with location sort like mall, high-street, institutional etc. The experiment of making an attempt to scale back the shop size shows that, it's potential to boost overall store profit with none negative impact on the shop revenue that is one in all the most important issues for brick-and-mortar retailers whenever they discuss the subject on store size reduction. Results clearly show that there isn't any important correlation between store size and variety of invoices/bills being generated by a store, that successively proves the very fact that, larger the shop doesn't guarantee higher client walk-ins and conversions thereby yielding higher revenue and profit. We have a tendency to don't have any commonplace formula to reach a perfect store size for each location. Retailers have to be compelled to regularly experiment totally different store sizes across different variety of locations associate degree derive a best store size for every location sort.

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