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Retail location strategies and their influence on store performance

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ABSTRACT

Retail store performance is influenced by several location-related factors, including the intensity of competition surrounding a store and the proximity of suppliers. Location decisions affect the ability of retailers to attract customers, respond to competitors, replenish inventory and maintain operational efficiency. The present study examines selected dimensions of retail location strategy and their association with store performance, with particular emphasis on competitor density and supplier proximity. Primary data were collected from 120 selected retail stores using a structured questionnaire and a five-point Likert scale. Correlation analysis and t-tests were used to examine the relationship between competitor-density dimensions and sales performance, while multiple regression analysis was employed to assess the relationship between supplier-proximity dimensions and inventory management efficiency. The results revealed positive and statistically significant correlations between all five competitor-density dimensions and sales performance. The correlation coefficients ranged from 0.190 to 0.316. The strongest association was observed for new competitors opening within the previous one year ($r = 0.316$, $t = 3.613$), followed by competition intensity ($r = 0.292$, $t = 3.320$). The supplier-proximity regression model was statistically significant ($R^2 = 0.285$; $F = 9.096$; $p = 2.65 \times 10^{-7}$), indicating that the selected supplier-proximity variables jointly explained 28.5 per cent of the variation in inventory management efficiency. Key suppliers located within the study area ($\beta = 0.566$, $p = 0.0304$) and the importance attached to supplier location while selecting suppliers ($\beta = 0.771$, $p = 0.0010$) were significant individual predictors. The findings indicate that retail location strategy is multidimensional. Competitive conditions surrounding a store are significantly associated with sales performance, while supplier proximity has a significant overall relationship with inventory management efficiency.

Keywords: Retail location strategy, Competitor density, Supplier proximity, Sales performance, Inventory management efficiency, Retail stores, Store performance

1. Introduction

Retailing is a location-sensitive business activity in which the physical position of a store can influence customer access, competitive exposure, supply-chain efficiency and ultimately store performance. Unlike several other elements of the retail marketing mix that can be modified relatively quickly, store location is generally a long-term strategic decision. Relocation involves financial costs, operational disruption and the possibility of losing existing customers. Therefore, location selection and location management require consideration of multiple market and operational factors.

Recent empirical research has demonstrated that store location is associated with sales dynamics and that geographical and socio-demographic characteristics can influence the performance of brick-and-mortar stores (Suárez-Vega *et al.*, 2022) [1]. Competition represents an important component of the retail environment. Retailers operating in areas with several similar stores may experience greater competitive pressure, but competition can also create customer-attracting effects through retail agglomeration and increased shopping activity.

Amin (2015) [2], using data from retail stores in India, reported a positive relationship between competition and labor productivity. Similarly, Teller, Alexander, and Floh (2016) [3] found that competition and cooperation within retail agglomerations can influence the performance of retail agglomerations and individual stores. These findings indicate that competition should not automatically be interpreted as a purely negative factor; its relationship with performance may depend on the characteristics of the retail environment.

Spatial competition is also relevant to retail location decisions because competing retailers may locate close to one another to access common customer markets. Transportation infrastructure can contribute to the co-location of competing retailers by improving accessibility and customer movement (Melo *et al.*, 2016) [4]. Therefore, the presence of similar stores, new competitors and competition intensity may provide information about the attractiveness and commercial dynamics of a retail area.

In addition to market-side competition, supply-side accessibility is an important component of retail location strategy. Retailers require regular replenishment of merchandise, particularly in fast-moving consumer goods

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and grocery retailing. Proximity to suppliers can potentially reduce delivery time, facilitate urgent replenishment and influence transportation expenditure. Consequently, supplier location may contribute to inventory management efficiency.

Retail convenience is another related component of store performance. Research in the Indian retail context has shown that convenience is associated with customer experience and satisfaction (Aagja *et al.*, 2011) [5]. These studies support the broader view that retail location and store-related convenience characteristics are relevant to customer responses.

Against this background, the present study examines selected dimensions of retail location strategy, focusing on competitor density and supplier proximity. Competitor density is examined in relation to sales performance, while supplier proximity is examined in relation to inventory management efficiency.

2. Objectives and hypotheses of the study

2.1 Objectives

1. To examine the effect of competitor density on the sales performance of retail stores.
2. To assess the impact of supplier proximity on inventory management efficiency of retail stores.

2.2 Hypotheses

H₀₁: There is no significant effect of competitor density on sales performance.

H₁₁: There is a significant effect of competitor density on sales performance.

H₀₂: Supplier proximity has no significant impact on inventory management efficiency.

H₁₂: Supplier proximity has a significant impact on inventory management efficiency.

3. Materials and Methods

3.1 Research design

The study adopted a descriptive and analytical research design. A quantitative approach was used to examine the relationships between selected retail location dimensions and store-performance indicators.

3.2 Sample and data collection

Primary data were collected from 120 selected retail stores using a structured questionnaire. The questionnaire incorporated statements measured using a five-point Likert scale. Convenience sampling was used for selecting the retail stores.

3.3 Variables considered

Competitor-density dimensions included: many similar stores within 500 m; new competitors opened in the last one year; competition intensity is high; frequent price revision due to competitors; and competitors offering similar products/services. Sales performance was considered the dependent performance indicator.

Supplier-proximity dimensions included: key suppliers located within the study area; distance allowing quick delivery; ease of reaching suppliers for urgent restocking; low transport cost due to proximity; and supplier location being important in supplier choice. Inventory management efficiency was considered the dependent variable.

3.4 Analytical techniques

Correlation analysis and t-tests were used to examine the relationship between competitor-density dimensions and sales performance. The critical *t*-value at the 5 per cent level was 1.98. Multiple regression analysis was used to examine the joint and individual relationships between supplier-proximity dimensions and inventory management efficiency.

4. Results

4.1 Effect of competitor density on sales performance

Sr. No.	Competitor-density dimension	r	Calculated <i>t</i> -value	Table <i>t</i> -value	Result
1	Many similar stores within 500 m	0.215**	2.386	1.98	Significant
2	New competitors opened in the last 1 year	0.316**	3.613	1.98	Significant
3	Competition intensity is high	0.292**	3.320	1.98	Significant
4	Frequently revise prices due to competitors	0.190**	2.102	1.98	Significant
5	Competitors offer similar products/services	0.193**	2.134	1.98	Significant

Note: ** Significant at 5% level.

All five dimensions recorded positive correlation coefficients, indicating positive associations with sales performance. The strongest reported association was observed for new competitors opened in the last one year ($r = 0.316$), followed by competition intensity ($r = 0.292$). The calculated *t*-values for all five dimensions exceeded the critical value of 1.98, indicating statistical significance.

The positive direction of the relationships is noteworthy. Conventional reasoning may suggest that greater competition should reduce individual-store performance. However, retail-location re-

search indicates that competition and agglomeration can produce more complex effects. Retailers may cluster because areas with several stores can attract customers, increase shopping activity and provide a wider retail offering. Teller *et al.* (2016) [3] reported that competition and cooperation within retail agglomerations can affect store and agglomeration performance. Amin (2015) [2] similarly reported a positive relationship between competition and labor productivity among Indian retail stores.

4.2 Hypothesis testing for competitor density

Hypothesis	Test	Calculated <i>t</i> -value	Table <i>t</i> -value	Decision
H ₀₁ : No significant effect of competitor density on sales performance.	<i>t</i> -test for correlation	2.102–3.613	1.98	Rejected
H ₁₁ : Significant effect of competitor density on sales performance.	<i>t</i> -test for correlation	2.102–3.613	1.98	Supported

(continued on next page)

The calculated *t*-values ranged from 2.102 to 3.613 and exceeded 1.98. Therefore, the null hypothesis was rejected and the alternative hypothesis was supported. The findings provide statistical evidence of a significant association between the examined competitor-density dimensions and sales performance. Because the study is cross-sectional,

the results should be interpreted as associations rather than proof of causality.

4.3 Impact of supplier proximity on inventory management efficiency

Model statistic	Value
Multiple R	0.534
R Square (R^2)	0.285
Adjusted R Square	0.254
Standard Error	2.822
Observations	120

The Multiple *R* value of 0.534 indicates a moderate positive relationship between the combined supplier-proximity dimensions and inventory management efficiency. The R^2 value of 0.285 indicates that approximately 28.5 per cent of the variation in inventory management

efficiency is explained by the five supplier-proximity dimensions. The adjusted R^2 of 0.254 indicates that approximately 25.4 per cent remains explained after adjustment for the number of predictors.

4.4 ANOVA of the supplier-proximity regression model

Source	df	SS	MS	F-value	Significance F
Regression	5	362.099	72.420	9.096	2.65×10^{-7}
Residual	114	907.601	7.961	—	—
Total	119	1269.700	—	—	—

The regression model produced an *F*-value of 9.096 with a significance value of 2.65×10^{-7} . Since the significance value is substantially lower than 0.05, the overall regression model is statistically significant. Thus, the five supplier-proximity dimensions, when consid-

ered jointly, have a statistically significant relationship with inventory management efficiency.

4.5 Individual regression coefficients of supplier proximity

Sr. No.	Supplier-proximity dimension	β	<i>t</i> -value	<i>p</i> -value	Significance
—	Intercept	8.298569	1.20758	6.872036	—
1	Key suppliers located within the study area	0.566	2.191	0.0304	Significant
2	Distance allows quick delivery	0.409	1.676	0.0964	Not significant
3	Easily reach suppliers for urgent restocking	0.472	1.896	0.0605	Not significant
4	Transport cost low due to proximity	0.202	0.821	0.4132	Not significant
5	Supplier location important in choice	0.771	3.363	0.0010	Significant

The variable “Key suppliers located within the study area” recorded $\beta = 0.566$, $t = 2.191$ and $p = 0.0304$ and was statistically significant. “Supplier location important in choice” recorded the highest positive coefficient ($\beta = 0.771$) and was significant at the 1 per cent level ($t = 3.363$; $p = 0.0010$). The remaining three dimensions were not statistically significant at the 5 per cent level.

The findings indicate that supplier proximity did not have a uniform individual effect across all dimensions. The physical presence of key suppliers and the importance assigned to supplier location were significant predictors, whereas delivery distance, urgent-restocking access and transport-cost proximity were not individually significant in the reported model.

4.6 Hypothesis testing for supplier proximity

Hypothesis	Test result	<i>p</i> -value	Decision
H_{02} : Supplier proximity has no significant impact on inventory management efficiency.	Overall regression	2.65×10^{-7}	Rejected
H_{12} : Supplier proximity has a significant impact on inventory management efficiency.	Overall regression	2.65×10^{-7}	Supported

The overall regression model was statistically significant because the *p*-value was lower than 0.05. Therefore, the null hypothesis was rejected and the alternative hypothesis was supported. Importantly, the significant overall regression result does not imply that every individual supplier-proximity variable was significant.

5. Discussion

The findings demonstrate that retail location strategy involves both market-facing and supply-facing dimensions. The competitor-density analysis revealed significant positive associations between all five examined competitive dimensions and sales performance.

The positive correlations may reflect the commercial attractiveness and increased customer activity of competitive retail locations rather than a simple adverse effect of competition. Amin (2015) [2] reported a positive relationship between competition and labor productivity in Indian retail stores, while Teller *et al.* (2016) [3] showed that competition and cooperation can influence retail agglomeration and store performance.

The supplier-proximity findings highlight the operational side of retail location strategy. The overall regression model explained 28.5 per cent of the variation in inventory management efficiency, with key suppliers located within the study area and supplier location importance emerging as significant individual predictors.

Retail location strategy can be viewed as a multidimensional managerial decision involving customer accessibility, competitive environment, market attractiveness, supplier accessibility, replenishment efficiency, transportation considerations and store-level operational characteristics.

6. Conclusion

The present study examined selected dimensions of retail location strategy and their relationship with store performance. All five competitor-density dimensions showed positive and statistically significant correlations with sales performance. The strongest association was observed for new competitors opened in the last one year ($r = 0.316$), followed by competition intensity ($r = 0.292$).

The supplier-proximity analysis produced a statistically significant overall regression model, explaining 28.5 per cent of the variation in inventory management efficiency. Key suppliers located within the study area ($\beta = 0.566$, $p = 0.0304$) and supplier location being important in supplier choice ($\beta = 0.771$, $p = 0.0010$) were significant individual predictors.

The findings suggest that retailers should view location as a strategic decision incorporating both market and supply considerations. However, the findings represent statistical relationships within the selected sample and should not be interpreted as proof of causality.

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8. Competing Interests

The author declares that there are no competing interests.

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