

Impact of Store Size Reduction on Overall Store Performance – Insights from an Experiment

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ABSTRACT

Majority of brick-and-mortar retailers in India assume that (a) existing store size is ideal to their retailing format, (b) inventory display density per square foot is optimal, (c) larger the store size higher the consumer walk-ins, (d) more premium the store location more premium the perceived retail store brand positioning in consumers mind, (e) larger the store size higher the store revenue and most importantly, (f) store revenue reduces in proportion to reduction in store size. Such assumptions and widely followed practice have resulted in increasing pressure on store operating costs for many years. Brick-and-mortar retailers need to understand the importance of store rent and its implications on the overall store profitability to achieve a sustainable store level profit and to achieve this they need to rationalize stores size on consistent basis. In this research, we have analysed the existing store size across locations of a select retailer in relation to overall store profitability, selected few loss making stores; especially the ones which are delivering losses owing to higher rent and larger store size, reduced these stores size without compromising the consumer experience aspect, evaluated the overall store performance over a period of eleven months to understand the changes in (a) consumer 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.

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