

Selecting districts for new retail outlets



We operate a super market retail chain. We cover six districts of Gujarat. We have two options for expansion. We can either penetrate into six more districts in Gujarat or consider Rajasthan. Which of these two will help maximize returns? Can the Guide help?

DATA REQUIRED FROM THE GUIDE

- Market Potential Value - Volume I
- District Population - Volume I
- Investment per outlet - Marketer
- Population covered by outlet - Marketer

SOLUTION

Let us assume from the past experience of operating the retail chain, the following:

Population covered per outlet 200,000

Investment per outlet Rs. 100,000

Let us now look at the aggregate potential and population of the districts under consideration in Gujarat and Rajasthan from the Guide. This is illustrated in the table below:

Details on select 6 districts		
	Gujarat	Rajasthan
Total MPV	293	416
Popn. '000	11719	18710

We now map this data to past performance to arrive at investment required per MPV. This will help choose districts to maximize returns as illustrated in table below.

	Gujarat	Rajasthan
Total MPV	293	416
Popn. '000	11719	18710
Total no. of outlets (200,000 popn. per outlet)	59	94
Total investment (Rs. lakhs)	59	94
Investment per unit MPV (Rs.)	20137	22596

RESULT

The select districts in Gujarat requires lower investment per MPV and hence worth considering. The Volume II of the Guide can be used if the outlets are located only in urban or rural centers of the district.