

Market Analysis

Introduction

The objective of a market analysis is to help franchises develop a strategic business plan on all of their stores in the network and help decipher where they should be over the next two to five years. This includes new store openings, relocations and closures of under performing sites.

To begin the process, firstly an analysis is performed on the entire network this includes the following processes:

- Creating a database of the existing network
- Segmentation of stores into homogenous groups
- Identify the factors or 'Drivers' that determine a store's sale potential
- Supply appropriate sales prediction models which equate a store's market attributes to turnover
- Analyse the network using Quadrant Analysis, and classify into categories
- Look for holes in the Network for Potential areas

1. Creating a database of the existing network

All sites are surveyed, gathering information such as internal features, external features, visibility of store, generators (such as chemists, newsagents and supermarkets) and competition in the area (positive and negative). This survey is approved by the franchise before being conducted by our experienced staff.

Other Information is gathered for each store in the network from a variety of sources including, Statistics New Zealand's Census of Population and Dwellings, Statistics New Zealand's Longitudinal Business Frame and New Zealand Shopping Centre Directory.

Finally, sales data is supplied by the franchise, preferably in weeks, over the last 12 months at least. These sales figures are used as the dependent variable, which will equate to a prediction figure at the end of the analysis for each store in the network.

2. Segmentation of stores into homogenous groups

The sample has to be common to each other in the network; therefore, segmentation of stores into homogeneous groups is carried out. This ensures that the analysis considers only like stores together. For example, we need to look at metropolitan separately to country and Inlines separate to Malls, etc. This will be established in the early stages of the project.

3. Analysis of Key Drivers

The first step in the analysis process is to ascertain the factors or 'drivers' having the greatest influence on store performance. The top drivers for each group are then shortlisted for further analysis. These variables form the starting point of the modelling process.

4. Building Sales Prediction Models

A statistically significant model is built using a mathematical equation on the drivers that are found to best describe a good store from a bad store. Usually we try to add one driver for each characteristic (i.e., an internal, a generator of business, a competitor and a characteristic indicating the size of the shopping precinct).

However, the number of drivers that are in a model is typically driven by sample size. Usually around 1 independent variable for every 8 - 10 stores, with a minimum of 3 - 5 variables, and a maximum of 10 - 12 variables.

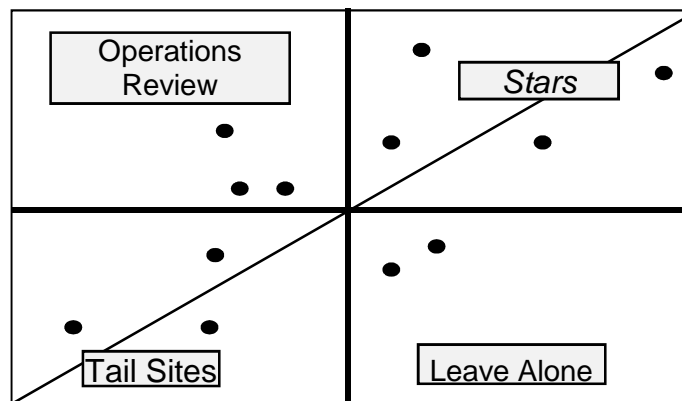
Once key variables for a site have been entered, the model returns a prediction of dollar sales, for assessing a store's potential. This is showed graphically in a scatterplot of actual vs predicted.

5. Quadrant Analysis – Analysis of Current Network

The final model built is used to assess all of the stores in the network. This is done using their actual sales figures and their predicted sales figures displayed on a scatterplot.

Each store is categorised into four broad categories: Stars, Underperformers, Overperformers, and Tail Sites.

Scatterplot of Quadrants



This subsequently brings into line the network of under performing sites and re development opportunities. It also highlights the over performing sties and the reasons why a site is performing so well.

6. Potential Areas

Potential Areas are assessed by looking at areas that you are not currently in and would benefit.

Ongoing Support

We are able to give ongoing support well after the market analysis project has been completed and recommendations have been given.

Ongoing support includes:

- Site Predictions for new sites and upgrades using the model(s) built
- Site Potential Reports for new or re developments
- Further assisting with Strategic Planning from a spatial viewpoint
- Upgrading the models as and when required
- Demographic Summaries for areas and locations
- Maps
- General assistance as required

To discuss costs and options, please contact Spectrum Analysis Australia on 61 3 9830 0077. Alternatively, e-mail spectrum@spectrumanalysis.com.au.