

## Understanding the Effectiveness of Catchment Area in Retail Sector - An Analysis for Big Bazaar Belagavi Zone

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### Abstract

This paper attempts to highlight an ideal location for establishment of a new retail outlet which can be helpful to identify potential customer base in a geographical (Belgaum) area for existing retail outlets. The analysis is based on the principle of catchment area which is used by many organizations to locate their business taking into consideration the geographic and demographic factors of the residents of that area. The different types of catchment areas are studied which are related and relevant to their areas of operation. Analysis is conducted taking into consideration the customer related factors. Survey method is used to collect the primary data related to catchment area and the customer's opinion about the same. The main findings of this paper are that the customers prefer to shop in bulk during weekends and demand convenience of buying everything under one roof. Big Bazaar has got the advantage of being the only Hyper Market in the city and hence lures customers from extension areas.

**Key words:** Catchment area, retail outlets, demographic and geographic.

### Introduction

Catchment analysis is originally a study to identify an ideal location for establishment of a new retail outlet but it can be helpful to identify potential customer base in any geographical area for existing retail outlets. This study includes study about various geo-demographic factors like occupation, mother tongue, education standard etc. and help in understanding customer preferences, accessibility in buying, purchase intentions buying patterns and likelihood of buying for the group of products that the retailer deals with and level of competition in that area.

The final outcome of catchment area analysis provides the retailer an idea about number of customers who can visit the store and kind of products that will be in demand and the stock he need to maintain in order to meet the demand in selected location. Importance of catchment can be seen in the point that if all retail companies are offering same products and services within same price range and quality standards then we can easily say that the population within the catchment will do all its purchasing at the nearest centre. However in practicality it's not possible that different retail companies are same and people have to travel to their preferred destination for purchasing instead of their nearest one.

Differences between similar stores can affect the spending pattern in the present time, but it is important to see how changes in various demographic factors and infrastructure development in competing locations will have impact on such store in future. Catchment analysis pre-launch will ideally decide the product mix and formats of the stores, catchment analysis done from time to time will give information about what is happening and where to concentrate marketing energies to get more walk-ins.

Generally it can be considered that major retailers like department stores, furniture warehouses or food joints will be destination sites. These sites can attract people from greater distances because the items may be common purchases or they provide the opportunity such as, the number of purchases that can be made from one location. For these destination sites it is possible for consumers to travel more distance. Similarly a small neighborhood store, or a small departmental store, would have a catchment near very small area which can be no more than 1 or two kilometer distance. For retailers that offer the same or very similar products as their competitors are offering, unless there is very strong pricing differences

a customer may not be prepared to travel pass the competition, he or she may select the nearest destination. Catchment analysis is useful like any other market research in showing retailers the opportunity and the direction to be taken.

**Factors that influence consumers' decisions on where to shop include;**

1. Presence of various retailers
2. Volume, quality and product mix of retail offerings
3. Additional services and facilities
4. Leisure provision
5. Accessibility
6. Parking
7. Shopping Environment and ambience

**Catchment Analysis is important due to following factors;**

1. Prime consideration of customer's store choice, is based on nearness to home/work, linked with other domestic work
2. Strategic importance for sustainable competitive advantage. Merchandise, price, assortments can be changed but not location of a store. Competitors can't easily copy as they are precluded from locating there.
3. As more and more companies are entering in the organized retail, the choice is about a suitable location within budget is getting difficult.
4. Selecting a location forms an important P of place for a long time for adequate assurance for a success.
5. It also influences the merchandise mix and interior layout of store.

**The demographic factors being;**

1. Population
2. Income Types - Life style
3. Age Distribution
4. Household Size And Type
5. Marital Status
6. Occupation
7. Working Women

Economic stability of area can be estimated from household incomes and expenditure patterns and can be related to specification of forming the catchment area with a future bound growth.

## Retailing in India

The shape of organized retailing in India has undergone several changes over the last few years. Retailers are making a push to get to the developments, which have the first entrant advantage in a location, and are trying to get the best rental deals for longer time periods. They understand that location and viable lease rentals are two very important ingredients for their success. On the other hand, developers are rushing in to make sure that they are among the first entrants in a catchment area with good retail potential as that strategy has spelt success in the past. Also, they are keen to

have the right tenant mix in their developments in order to attract repeat visits by clients. Consumer is the ultimate reason for existing of any business. Companies can invest hugely in their projects, but it's the customers who will give them return on their investments.

### Statement of the problem

'How catchment area analysis forms an effective measure for a retail (hyper market) outlet'.

### Limitations of the study

The study is restricted to only Big Bazaar and Belagavi Corporation area and hence cannot be generalized for any other area nor for any other retail store.

The results so obtained may vary with time and the people interviewed.

### Objectives of the study

1. To find out customers frequency of visiting to big bazaar
2. To find out the usual most mode of transport of the customers.
3. To find out most frequently shopped products at Big Bazaar
4. To understand the price difference between Big Bazaar and small retailers.

### Literature review

Catchment analysis is one of the most effective tools for determining where and how to Conduct your business if you have a grasp on what type of people are most likely to purchase your products or services, you can seek out the location and the marketing plans that give you the best opportunity to reach those people. If you are trying to reach a large group of similar customers, you can study their spending trends, lifestyles, and much more. You can no longer simply choose a populous area in which to set up shop, and then hope to compete.

### Definition

Catchment is defined as the sphere of influence from which the retailer is likely to draw its customers. It is the area from where they expect to gather footfalls and run their business. Most widely used definition of various catchments is Primary, Secondary and Tertiary that attract 75%, 20% and 5% of the total visitors respectively.

The size of the catchment area is determined by the format and size of the store, population density of its catchment, the competitive intensity, and how well its proposition fits the needs of the customer base. The major determining factor for the size of the ring / area is the format - bigger formats have larger trade areas and hence a large catchment to cater as against a small retail player or the local grocery store.

Usually primary catchment spans over a couple of kilometers on all sides of the establishment, but it might not be a good definition for a sparsely populated area. In such a case, a radial distance of up to 5 kilometers might suffice the need. The measure of radial distance and time travel to define the catchments should be decided by the retailers themselves to best suit their needs and expansion plans.

### How does one carry out catchment analysis?

Retailers use catchment analysis to get a better understanding of the area that they plan to serve. It requires inputs from both secondary and primary research. Secondary resources like the municipal corporation, or IRS services can be

utilized to get an overall understanding of the areas under consideration. Information like total population, number of households, distance from the retailer, etc. is used as well. This is an important step for the next stage of the study as the insights from the secondary research will feed into the design of the primary research initiative.

Primary research involves personal face to face interviews with the residents of the areas identified in the secondary research. A qualitative approach of market immersions and consumer immersions is the key to understand their behavior and perceived category gaps in the areas. A thorough analysis of all the sub-areas in the catchment is usually advised for the study, however depending on the density and homogeneity of the areas a sporadic and well spread out study can be undertaken.

### **Type of catchment area**

With the help of catchment area analysis we can divide the total area into following four kinds of catchment areas

1. *Primary Catchment* : It is the nearest area around any retail store. As it will have maximum number customer visiting store from this area. People in this area will be having demand for all kind of product offering from specific retail store.
2. *Secondary Catchment* : This area is little far away from primary area. Generally people from this area will have less visits than primary area and will have less demand. As there can be other stores in their neighborhood. It can be within 5 kilometer radius from the store.
3. *Tertiary Catchment* : Tertiary area is more far away from the store, may be within 10 to 20 kilometer radius. Retail store will have marginal number of customers from this area. Usually selected or some loyal customers with specific demand will only visit the store.
4. *Outer Catchment*: In this area companies do not have a kind of customer presence. People from these are rarely or very less number of time visit the store.

### **Key information outputs from Catchment analysis**

It is very important to accurately undertake catchment analysis. This will give the retailers information in the lines of:

1. Population of the area, type of Families.
2. Demographics of the residents: Age, Income, Occupation, Marital Status.
3. Current shopping behavior: Who shops? From where? How often? Average Spends? How do they visit? What do they buy?
4. Understand competition differences.
5. Category gaps: Any product category the area is missing, any brands that they want to have in the surrounding.

### **What is in for retailers?**

The above mentioned information areas will then help the retailers make many important and strategic decisions, such as

1. It helps estimate the number of potential footfalls.
2. Helps plan the dedicated floor plans by categories (if catchment analysis is undertaken in the initial stages of development)
3. Parking area for cars and bikes can be better managed.
4. Determining category mix of the outlet
5. Help differentiate from the competitors

### **Lumpkin and Burnett**

In (1991), their research identified that consumers were attracted by low prices and sale offers, which astutely is adopted by retailers in any competitive market. Gu (1998) in his findings reported that discount stores are considered by consumers as an economic problem reliever. For these reasons, discount stores have emerged as a major force in retailing. Based on the store-choice model proposed by Monroe and Gultinan (1975), the supermarket choice criteria and satisfaction model proposed by Hutcheson and Moutinho (1998), the apparel retail patronage behavior model proposed by Shim and Kotsiopoulos (1992) and prior studies related to consumers' store preference and store satisfaction, a model was developed as the framework of this study. Monroe and Gultinan's model (1975) begins with the premise that consumers' characteristics such as location, demographics, role, life style, personality, economic level, and shopping orientation affect the importance of various stores and product attributes to consumers. It suggests that consumers' characteristics influence consumers' shopping orientation and their store-choice criteria.

Retailers' marketing strategies also affect consumers' shopping orientation and store-choice criteria. This argument is consistent with the results of studies by Carpenter and Nakamoto (1989) and Arnold, Handelman and Tigert (1998), who found that stores' marketing strategies could shift consumers' preferences. Monroe and Gultinan (1975) suggest that consumers' satisfaction with a store is influenced by their consumer characteristics, shopping orientation, and store and product attributes.

### **Hutcheson and Moutinho**

(1998) model explained supermarket patronage as being a result of store choice criteria, which includes quality of product and staff, provision for additional services, provision for cars, ease/speed of use, value for money, range of value, and own brand products. Westbrook (1981) studied consumers' satisfaction with store-related experiences such as store personnel, store atmosphere, merchandiser, etc. He defined consumers' satisfaction as a subjective reaction to their evaluation of store-related experiences, which resulted in store patronage behavior. Catchment Analysis is a systematic study of an arbitrarily defined marketing area around a series of known sites so that the main features of such areas can be compared to check for patterning or regularity of consumer behaviour. This technique was developed by Eric Higgs and Claudio Vita-Finzi during the late 1960s, and is vividly used in Management and to study the economy of archaeological sites. From the marketing perspective, Catchment Analysis intends to answer the basic but vital questions like from where consumers come from; what are their expectations and how to communicate. It is a time-consuming and expensive process. In developed countries, many centre managers have found that the cost-effective catchment analysis gives unrivalled return on their investment. The benefits of Catchment Analysis include target promotions and effective advertising, merchandising and logistics solutions. However, the Major benefit of catchment analysis is its ability to capture the actual shopper behaviour.

### **Study Area**

Belgaum district is located in the Northwest region of Karnataka State. Belgaum, officially known as Belagavi has a population of around 5 lakh with an area of 94 km<sup>2</sup> which houses people dispersed in variety of occupations and income level. The concept of joint and nuclear family is still seen here.

Micro and Small industries are quite many over here which provide jobs and employment opportunities to the local residents. The life style is moderate and one may find people living with Rs. 50,000 as their annual income. It is a hub to many eminent colleges and famed universities due to which many youngsters from outside are attracted for education. The population here has a dispersed life style with modest shopping habits and homely attached life style.

The concept of general retailing (Mom and Pop stores) is prevailing since ages and in some is also a family business. Interior parts of the city is famous for its wholesale shops for food grains, cooking oil and daily use products in home as well as self. People do go to these busy streets for there to-shop list to get updated, with so called the mentality of less price and varieties. With the entry of modern retail formats, the scene is not so very different. People are attracted towards this new way of shopping experience do flock in huge numbers to buy out their requirements. But with the modern generation and the capacity of multiple income in one family, has changed the way modern shopping is been done.

People are exposed to a variety of products, discounts, prices, shopping ambience etc, which are quite significant from the retailer's point of view. The need for catchment area analysis arises to know the different factors which may influence a customer for shopping into a specific location and a retail outlet. For this research, selective people from dispersed areas are considered which adds to the specification of the research.

## Research methodology

### Sampling Plan:

Sampling Units	: Customers of Big Bazaar (Walk in - Selective).
Sample Technique	: Convenient Sampling.
Research Instrument	: Structured Questionnaire
Sample Size	: 100 - selective area.
Data analysis plan	: The data collected through questionnaires has been analyzed and interpreted in numeric and percentage.

Primary data- To collect primary data, survey method was followed, in which a structured questionnaire was designed including both open and close ended questions to know the opinions of the customers

Secondary Research- A review of literature was studied online and several research papers were also consulted. Information pertaining to the research topic was obtained through publications, internet sources and books.

## Data analysis

Q1. How often do you visit Big Bazaar?

Options	No. of Respondents (Sample Size 100)	Percentage
Weekly	20	20%
Fortnightly	25	25%
Monthly	27	27%
Once in 3 months	16	16%
Above 3 months	12	12%
Total	100	100%

Q2. How do you travel to Big Bazaar?

Options	No. of Respondents (Sample Size 100)	Percentage
Weekly	20	20%
By auto	7	7%
By bus	12	12%
By two wheeler	44	44%
By four wheeler	37	37%
Total	100	100%

Q3. Define your most visited section at Big Bazaar?

Options	No. of Respondents (Sample Size 100)	Percentage
Fashion	34	34%
Home Appliances	18	18%
Food Bazaar	48	48%
Total	100	100%

Q4. Any specific product which you only buy from Big Bazaar?

Options	No. of Respondents (Sample Size 100)	Percentage
Food Grains	58	58%
Confectionaries	14	14%
Electrical and Electronic Appliances	6	6%
Toiletries	12	12%
Clothing	10	10%
Total	100	100%

Q5. Does good parking place form an important criterion for shopping?

Options	No. of Respondents (Sample Size 100)	Percentage
Fashion	34	34%
Yes	85	85%
No	15	15%
Total	100	100%

Q6. Annual income of your family (please tick the appropriate category)

Options	No. of Respondents (Sample Size 100)	Percentage
Below 2,00,000	50	50%
2,00,000 – 4,00,000	31	31%
Above 4,00,000	19	19%
Total	100	100%

Q7. How much do you spend at Big Bazaar per visit?

Options	No. of Respondents (Sample Size 100)	Percentage
500 – 1000	40	40%
1000 – 2000	27	27%
2000 – 5000	19	19%
5000 – 10000	14	14%
Total	100	100%

Q8. Which is the closet retail outlet from your location apart from Big Bazaar?

Options	No. of Respondents (Sample Size 100)	Percentage
Weekly	20	20%
Reliance fresh	29	29%
More super market	38	38%
others	33	33%
Total	100	100%

Q9. You visit Big Bazaar mainly to buy (please select your choice)

Options	No. of Respondents (Sample Size 100)	Percentage
Food Items	38	38%
Fashion wear	20	20%
Daily use personal health care products	29	29%
General home items	13	13%
Total	100	100%

Q10. Reason for buying at Big Bazaar. (Please select your rightful choice)

Options	No. of Respondents (Sample Size 100)	Percentage
Discounts	52	52%
Bulk offers	20	20%
All under one roof	28	28%
Total	100	100%

## Findings

As of now there is no such Hyper Market like Big Bazaar is situated in the town, therefore Big Bazaar is getting the advantage to influence customers, further people resident of these local also have good spending capacity therefore they don't hesitate to shop in malls

1. It is very clear that most of the respondents visit the store for the sake of offers and discounts which are offered in week days and weekends.
2. People prefer to shop in Big Bazaar primarily because of convenience where they can purchase their desired stuff under one roof. Other important factor is time constraint, now a day's people are ready to spend more and shop in bulk to avail discount instead of daily shopping.

3. Majority of the customers visit Big Bazaar to buy Food items and Daily use Personal Health Care products.
4. Having a good parking area is of prime importance.
5. Customers mainly buy Food items from Big Bazaar and also it is the most visited section for shopping.

## Recommendations

1. One roof convenience for shopping is what most of the customers are looking for.
2. Offers and discounts, give a way to bulk discounts. Most of the customers purchase in bulk to avoid shopping 3-4 times a week.
3. Shopping under one roof also saves time for the customers.
4. Parking area is a matter of consideration, and if looking for a new branch establishment, having a good parking lot should be given more preference.
5. Food items and Daily use Personal Health care products are the major selling categories of products. Varieties of these products may serve as a trump card for customer walk in.

## Conclusion

Retailing is becoming an important part of one's daily life. In present time a retail store provide solution to all the needs and problem of everyone under one roof. But this is not easy because deciding a location for retail establishment to creating satisfied customer is a very long process, during this process various each factor plays an important role. Ever increasing competition makes it difficult for established store to keep their market share, for that reason established retail companies have to continuously scan their environment to keep their market share safe and looking options for further growth and development. To conclude, retail stores need to have a continuous look over its surrounding environment so as to take advantage of available opportunities and being proactive to threats. And always trying to increase customer walk-in and focus on long term relationship with customer, which finally result in customer loyalty and profitability of the organization.

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