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RESEARCH ARTICLE

RETAIL OUTLET LOCATION AND BUSINESS PERFORMANCE IN UYO METROPOLIS

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Abstract : This study examined the effect of retail outlet location on business performance within Uyo metropolis, Akwa Ibom State, Nigeria. To achieve this aim, a survey was conducted to collect the required data from the operators of retail outlets in Uyo Metropolis. Being an infinite population, an estimate of 120 retail outlets was made, out of which 90 were purposively selected as the sample size for the study and questionnaires were administered physically. Eighty (80) were duly filled and returned, indicating 88.88% respondents' rate. Descriptive analysis, Structural Equation Modelling and Relative Importance Index (RII) were utilized for data analysis. Findings revealed amongst others that: (i) location of retail outlets had significant effect on business performance (ii) accessibility to the retail outlet location also had effect on business performance. This could be traceable to the fact that the finest store in the world will not live up to its potential if located where customers cannot and will not travel/drive to shop; and (iii) wrong location of an outlet had the greatest effect on business performance. The researchers conclude that retail location determines business performance. Some recommendations are also offered for the way forward.

Keywords: *Retail location, Retail Infrastructure, Business performance, Uyo metropolis.*

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INTRODUCTION

Facility location as seen by Nickels, McHugh and McHugh (2012) is the process of selecting a geographical location for a company's operation, focuses on customers in an attempt to find a site that makes it easy for consumers to use the company's service and to communicate about their needs. Anderson in Brassington and Pettitt [1] views location as a very important area for decision adding that a wrong location if chosen for a store can cause a retailer to lose a great deal of business by failing to reach or attract the right kind of customer to generate a viable level of trade. He also added that apart from the loss of business, there is also the waste of money invested in acquiring the site or premises and building and/or shoplifting.

On the contrary, good location allows ready access, attracts large number of customers and increases the potential sales of retail outlets, what is more, in extremely competitive retail environment, is that slight differences in location can have a significant impact on market share and profitability [2].

Retail operators should be rational in their store choice location decisions. According to Eze, Odigbo, and Ufot [3], rational location decision attracts favourable opportunities to the operators, long term success and goal achievement for the business. Despite the huge amount spent on retail outlet's location by retailers, much is still left to be desired about their viability. Thus, this study is an attempt at assessing retail outlets' location with a view to determining their business performance.

LITERATURE REVIEW

The Concept of Retail Location

Store location holds the key to its success, Oner [4] stated that store location is probably the most important and most costly decision a retailer must take to accomplish long term success, adding that virtually all retailers patronize the proximity to consumers when deciding on their locations which leads to co-location in the sector and thus retail agglomeration.

Store location is an important influencer of a retail patronage. This position was observed by Jere, Babatunde, and Albertina in Eze, Odigbo and Ufot [5] in a study of important influencers of store patronage, identified location amongst the five most important influencers of store patronage. They argued that for consumers, location of and access to a retail store are important factors in store choice decision, adding that retailers targeting low income consumers emphasize on location because low income consumers tend to shop more frequently and make small purchases because of their limited and unstoppable cash flows.

Contributing further, Kotler and Armstrong [6] opined that retailers often point to three critical factors in retail success location, location and location and advised that it's very important for retailers to select locations that are accessible to the target market in areas that are consistent with the retailers positioning with big retailers locating in expensive shopping districts while small retailers go for low rent out of the way locations to keep cost down and support its cheap gourmet, adding that most stores today cluster together to give their customers the convenience of one stop shopping.

Ukamaka [7] added that a retailer positioning is not only communicated to its customer through its products and service offering strategy but also through location and shop characteristics.

Furthermore, Esteban Bravo, Magica and Vidal-Sanz [8] observed that outlet location plays a crucial role in retail strategy noting that a store that prospers in one location may fail in another. In another development, Karadeniz [5], found out that in our globalized world, retail location assessment has gained more and more significance, adding that the quick incensement of competitive conditions has led companies to be one step ahead of their rivals and acts more meticulously in retail location assessment.

Therefore advocated for thorough examination of population features, income levels of people and computational situation of the place to be selected.

The strategic importance of location is not limited to a retail setting alone but seems to have a universal application. Taylor, Franke and Bang [9], found out that location of billboard influences buying decision because it targets the audience which the advertisers really want to convey their messages, adding that if billboards are wrongly placed or located, they are not likely to draw the maximum attention of the target market as needed. They also added that due to huge capital investments required for business start-ups, few retailers make location decisions based on intuition.

Furthermore, Hoch, Kim, Montgomery and Rossi [10]; Kumar and Karande [11] advanced a common approach to select a site for retail outlet based on spatial demand supply models. According to the authors, a retailer using these models selects a site according to demand and supply conditions which determine the market potentials [12], of the various locales.

Retail Infrastructure

The most important physical assets and attributes associated with a retail area is accessibility; the ease with which potential shoppers can get to the retail area. Mere measuring the population of a given trade area is not enough to predict likely sales volume. Retailers need to know how many shoppers will physically be able to get to the store using any of a number of modes of transport (e.g on foot, by road vehicle, or on public transport).

Poor accessibility will deter shoppers thus lowering the likely sales volume, whereas excellent accessibility may have the opposite effect [13]. The authors mentioned that while conducting accessibility studies factors such as; pedestrian flow, and entry roads, public transport, site access, the road network, parking and visibility should be taken into account, adding that the type of retail outlet or area will affect the relative importance of these accessibility factors as will the type of shopper.

Business Performance

Assessing the performance of organizations has always been of interest to management teams and researchers, adding that measuring business performance in today's economic environment is a critical issue for academic, scholars and practicing managers.

Successful brand/firms continued to represent a key ingredient for developing nations [14]. Many economists view them as similar to an engine in determining their economic, social and political development, adding that to survive in a competitive business environment; every firm should operate in conditions of performance [12].

Hasty and Reardon [15] are of the opinion that retail establishments should be sited where market opportunities are best, adding that the finest store in the world will not live up to its potential if located in a place where customers cannot and will not travel to shop. They authors advised that a thorough study of customers and their shopping behaviour should be undertaken before locations are chosen.

Lebans and Esuke cited in Taouab and Issor [16] gave a set of definitions to illustrate the concept of organization performance. According to the authors:

- Performance is a set of financial and non-financial indicators that offer information on the level of accomplishment of objectives and results.
- Performance is dynamic, requiring judgement and interpretation
- Performance may be illustrated by using a casual model that describes how future results can be affected by current actions.
- Performance may be understood differently depending on the person involved in the assessment of the firm performance.
- To define the concept of performance, it is necessary to know its fundamental characteristics to each area of responsibility.
- To report a firm's performance level, it is necessary to be able to qualify the results.

In another development, two sets of factors that have effects on business performance; the positive and negative factors. In practice, company location, diversification, legal status, pricing competition, strong demand for product, governmental positive regulations would bring about positive effect on business performance if properly managed. On the contrary, government negative policies and same factors above, if poorly managed, would have negative effect on business performance.

Furthermore, Adamsu [17] identified financial factors, marketing factors, infrastructural factors, technological factors, work premises factors, management factors, entrepreneurial factors, as well as customer perception [18], as hindering the performances of SMEs. Other author gave two sets of factors having bearing with retail performance to include company location, diversification effect, legal status, price competition, strong demand for product, governmental positive regulations, which he said affect performance positively while qualification of workers, small population centres and government negative policies have a negative effect on performance.

Empirical Studies

Adagba and Shakpande [19] studied the effect if environmental factors on business performance with specific reference to Nigerian business environment. The study adopted the basically theoretical and narrative approach, based on aggregate, and also reviewed specific strength, weakness opportunity and treat (SWOT) matrix as well as political, ecological, social, technological, legal and economic factors (PESTLE) analysis models respectively.

A review of related literature and theoretical framework provided more insight into the various effects of the factors of the environments on business performance. It was found that both external and internal factors exert influence on and shape the life, growth and development of the business. It was further revealed that the government now plays more of regulatory rule in the business environment in some sectors of the economy, acting that though certain measures had been put in place at various levels to engender conducive business environment for private sector participation, eternal factors such as multiple tax system, policy summersault, non-passage of the freedom of information (FOI) Bill into law, high cost of capital, high interest and inflation rates, terrorism, culture, religion, volatile exchange rates, susceptibility of the economy to external shocks, infrastructure decay, dismal power supply etc., escalated cost of doing business in Nigeria and thus posed serious threats to firms' performance in Nigeria. The study therefore recommended the reconsideration of those environmental factors that impose unnecessary constraints on businesses in Nigeria.

In another development, Eze, Odigbo and Ufot [3] undertook correlation between business location and consumers' patronage to determine the implications for business policy. Policy Decisions on campus of University of Calabar, Cross River State. Amongst the objectives sought to achieve by the study included the determination of the effect of business locations on consumers' repeat purchases and the evaluation of the effect of proximity of business locations on consumers' patronage.

Using survey research, a sample size of 90 structured questionnaire, study frame comprising of photocopying operators, consumers of their services, school business regulatory body and Statistical Package for Social Sciences (SPSS) version 21 analysed the data collected findings reveal amongst others that business location affects business performance very significantly.

It was equally found that it has significant effect on the repeat purchases of consumers. Also proximity of the business to consumers and competitors has significant benefits to business performance in the University. The implications for business policy and decision making are that intending entrepreneurs must undertake business location feasibility studies before citing their businesses.

Mooze and Fairhurst [20] examined the effectiveness of different marketing capabilities factors in a cross section of the specially apparel and footwear retailing sectors, using a sample size of 60 retail firms, data collected from marketing executives in a National mail survey to examine marketing capabilities in image differentiation, promotions, extra market knowledge and customer service for their impact on firm level performance while a two stage structured equation model tested the study hypotheses. Results suggest that the most effective marketing capabilities in terms of performance are image differentiation and promotional capability.

Furthermore, Indarti [21] examined the relationship between business location decisions and business success a case study of internet cafe business in Indonesia using two research questions: (1) what factors do underlie location decision for an internet café business?; and (2) does location decision determine a success of internet café business? A field survey approach was used to answer the questions and factor analysis.

The factor analysis applied to 17 location factors reveal five underlying dimensions of business location decisions to include; centrality, business environment, business venue, cost, and labour. Based on response from 93 internet cafes in three locations (i.e. Yogyakanta, Suraboya and Lombok), the author finds that favourable location of business is positively related to business success. Regression analysis reveals that availability of utilities proximity to schools/universities and security affected business success in a positive direction, while proximity to highways being in commercial centre affects in a negative direction.

METHODOLOGY

The study utilized survey research to obtain primary data from the operators of retail outlets in Uyo Metropolis, Akwa Ibom State. The focus of study was chosen not only because it is the commercial nerve centre of the State and houses the highest concentration of retail outlets which the study is based, but also people with requisite purchasing power reside there.

Being an infinite population, the study made an estimate of 120 retail outlets operating in the area. Out of this, 90 retail outlets were purposively selected and used as the sample size for the study, and structured questionnaires were physically administered, out of which 80 were duly filled, returned, indicating an 88.88% respondents' rate. Structural Equation Modelling and Relative Importance Index were used to analyze the data collected.

ANALYSIS ON SHOP LOCATION AS A DETERMINANT FOR RETAIL BUSINESS USING STRUCTURAL EQUATION MODELING

Structural equation modelling (SEM) analysis is a multivariate statistical tool that helps in determining the direct and indirect relationship between the variables.

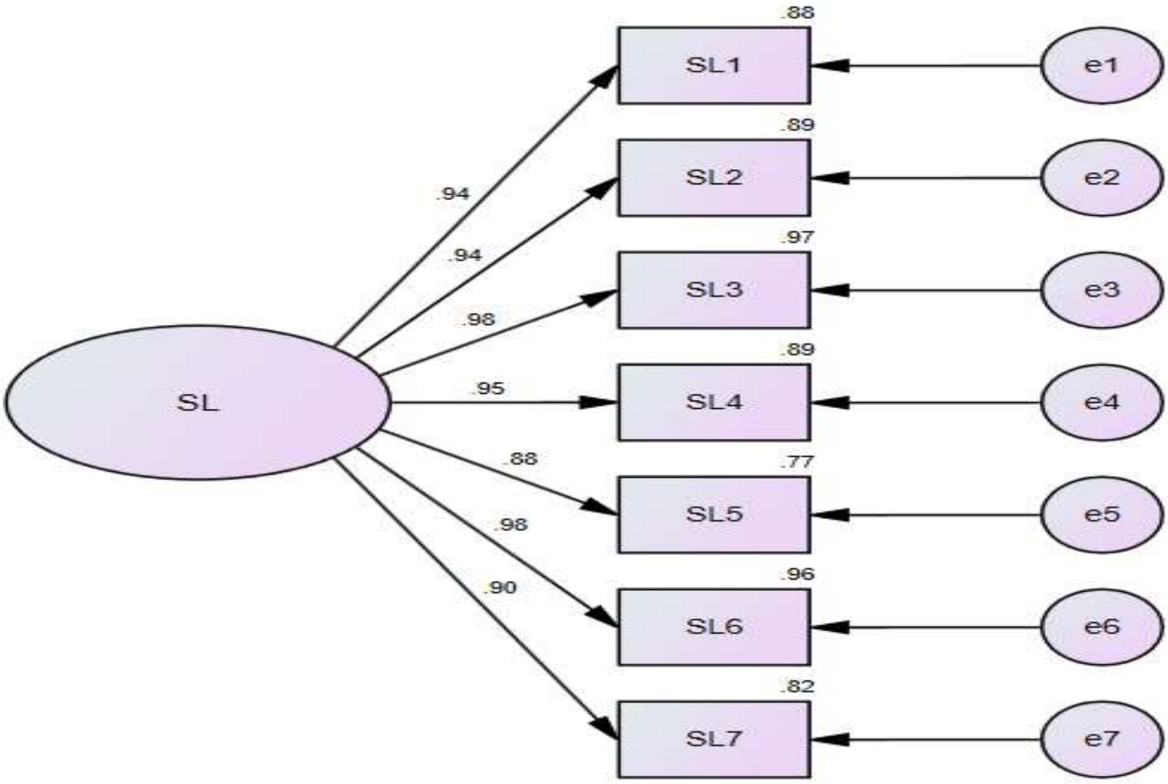

Fig. 1: Initial path diagram for store location data

Where
SP1 = Store location is probably the most important and most costly decision a retailer must take to accomplish long-term success
SP2 = Location is a major determinant of success or failure of retail stores
SP3 = Good location allows ready access, attracts a large number of customers and increases the potential sales of retail outlets.
SP4 = Ease of drive, time taken to reach the store, store distance from home or office and availability of public transport can affect store patronage
SP5 = Convenience of other stores, availability of parking space, and strategic location attract customers to a store.
SP6 = The finest store in the world will not live up to its potential if it is located where customers cannot and will not travel to shop.
SP7 = Wrong location of a store can v cause a retailer to lose a great deal of business by failing to reach or attract the right kind of customers to generate a viable level of trade.

Table 1: CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	21	124.778	14	.000	8.913
Saturated model	35	.000	0		
Independence model	14	1073.460	21	.000	51.117

Table 2: Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.884	.826	.895	.842	.895
Saturated model	1.000		1.000		1.000

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Independence model	.000	.000	.000	.000	.000

Table 3: RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.316	.267	.369	.000
Independence model	.796	.756	.837	.000

It can be observed that the values of MIN/DF are high and the statistics NFI, RFI, TLI and CFI are below 0.9. Also the RMSEA value is high. It is therefore necessary to adjust the model and rerun in order to have a better fit.

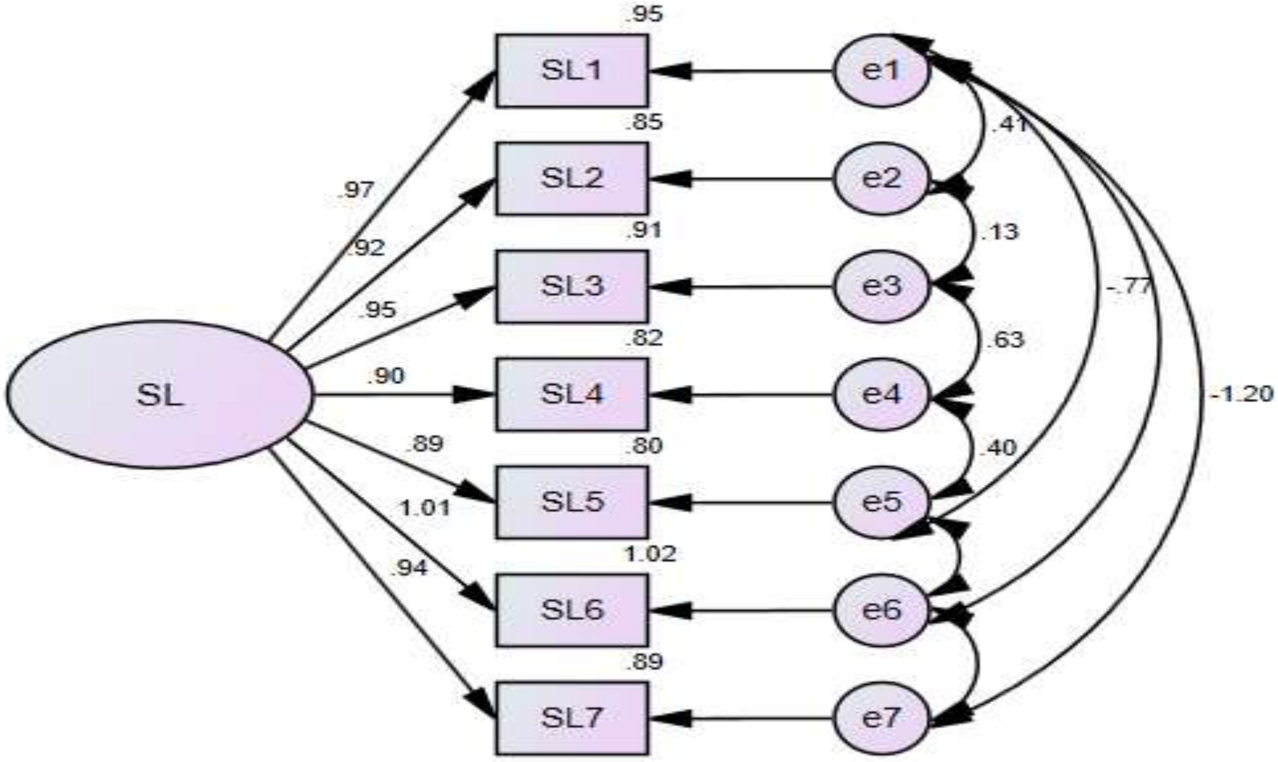

Fig. 2: Adjusted structural model for location as a factor affecting retail business

Table 4: CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	30	16.271	5	.006	3.254
Saturated model	35	.000	0		
Independence model	14	1073.460	21	.000	51.117

Table 5: Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.985	.936	.989	.955	.989
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Table 6: RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.169	.082	.264	.017
Independence model	.796	.756	.837	.000

For this model to be accepted, certain statistics have to be validated. The ratio MIN/DF has to fall between 2 and 5. NFI, RFI, TLI, CFI should be 0.9 and above. Lastly, the RMSEA should be 0.08 or less. From the above tables, it can be seen that the model has really improved, considering the values generated for the statistics: MIN/DF, NFI, RFI, TLI, CFI and the RMSEA. This tells us that all the identified factors are predictors for retail business performance in the chosen area of the study.

Maximum Likelihood Estimates

Table 7: Regression Weights

			Estimate	S.E.	C.R.	P	Label
SL1	<---	SL	1.000				
SL2	<---	SL	.839	.039	21.362	***	
SL3	<---	SL	.912	.044	20.735	***	
SL4	<---	SL	.914	.058	15.739	***	
SL5	<---	SL	.719	.059	12.280	***	
SL6	<---	SL	.919	.048	19.250	***	
SL7	<---	SL	.706	.050	14.156	***	

Since all the estimates are more than 0.7, and that the p-values are very low, it means that the all the shop location factors contribute significantly to the retail business performance. For example the probability of getting a critical ratio as large as 21.362, in absolute value, is less than 0.001. In other words, the regression weight for SL in the prediction of SL2 is significantly different from zero at the 0.001 level (two-tailed).

Table 8: Standardized Regression Weights

			Estimate
SL1	<---	SL	.973
SL2	<---	SL	.923
SL3	<---	SL	.955
SL4	<---	SL	.903
SL5	<---	SL	.892
SL6	<---	SL	1.010
SL7	<---	SL	.945

All the estimates obtained are far above 0.5, this means all the factors are determinants of retail business performance. When SL goes up by 1 standard deviation, SL1 goes up by 0.973 standard deviations

Table 9: Relative Importance Index (RII)

Factors	1	2	3	4	Sum	∑fx	Mean	RII	Ranks
Store location	4	4	43	29	80	257	3.213	0.643	5th
Location of retail stores	1	3	48	28	80	263	3.288	0.658	2nd

Ready access	1	7	47	25	80	256	3.200	0.640	6th
Ease of drive to shop	2	6	50	22	80	252	3.150	0.630	7th
Convenience	1	1	57	21	80	258	3.225	0.645	4th
Potential	1	4	50	25	80	259	3.238	0.648	**3rd**
Wrong location of a store	0	1	53	26	80	265	3.313	0.663	**1st**

In the above table, it can be seen that wrong location of a store goes a long way in determining the performance of retail business in the society

RESULTS

From Structural Equation Modelling

From the adjusted equation modelling used in the study, the result shows that all the measures of internal consistency estimates are more than 0.7, indicating reliability of research instrument as recommended by [22], and that the p-values were all lower than 0.05, which means that all the retail outlets' locational factors significantly predicted the business performances of retail outlets in Uyo metropolis.

From Relative Importance Index (RII)

- Wrong location of a store has the greatest effect on business performance with the RII value of 0.663, this was followed by;
- Location is a major determinant of retail success or failure (RII -0.658).
- Store location is the most important and most costly decision a retailer must take to accomplish long term success (RII – 0.648).
- The finest store in the world will not live up to its potential if it is located where customers cannot and will not travel to shop (RII – 0.648).
- Convenience of other stores, availability of packing space, strategic location attracts customers to a store (RII – 0.645).
- Good location allows ready access, attract large number of customers and increases the potential sales of retail outlets (RII – 0.640) while
- Ease of drive, time taken to reach the store, store distance from the store, store distance from home or office and availability of public transport with (RII value of -0.630) respectively has the least effect on business performance.

Discussion of Findings

The result of this study revealed that there exist a significant relationship between retail location and business performance. This means that the more strategic a location is, the more will be its business performance while a less strategic location will give the opposite result. This agrees with the finding in literature of Anderson [1] who stated that a wrong location if chosen for a store can cause a retailer to lose a great deal of business by failing to reach or attract the right kind of customer to generate a viable level of trade, adding that apart from the loss of business, there is also the waste of money invested in acquiring the site or premises and building and or shoplifting. While the former stated that good location allows ready access, attracts large number of customers, as also mentioned by [23], and increases the potential sales of retail outlets, the later noted that in extremely competitive retail environment, slight differences in location can have a significant impact on market share and profitability [24-28]

CONCLUSION AND RECOMMENDATIONS

The study investigated the influence of retail establishment (retail outlets) in Uyo metropolis, Akwa Ibom State using questionnaire to collect data from 90 respondents and the findings lead to the following *conclusions:*

- Retail location determines business performance.
- Accessibility of a retail outlet influences its performance. This is because the finest store in the world will not live to its potential if located where customers cannot and will not travel/drive to shop and
- Wrong location of a store has the greatest effect on business performance.

Based on the findings and conclusion of the study, we offer the following *recommendations:*

- Operators of retail outlets in Uyo metropolis should make location decision a strategic one as it determines retail performance.

- Customers must have easy access to a retail establishment because good location allows ready access, attracts large number of customers, and increases the potential sales of the outlets.
- Operators of retail outlets must take location issues seriously as locating a retail outlet where consumers cannot and will not travel to shop will result in loss of customer retention and hence a drop in sales volume.

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