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ALGORITHM FOR MARKETING FEASIBILITY ASSESSMENT OF RETAIL PROPERTY CONCEPT

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Abstract

Nowadays, going to malls is one of the entertainment types. Even though the main goal of shopping and recreation centers is obtaining commercial benefits for owners and tenants, they also create social interaction spaces. Besides, shopping and recreation centers provide jobs, diversity of people's leisure, and produce a flow of budget incomes. The competitive edge of malls reduces because their design and construction often lack a unique concept. The successful operation of such facilities requires them to include shopping units as well as recreation and leisure activities: billiards, fitness-centers, spas, spaces for kids, cinemas, catering services, etc. The concept of the mall must appear at the design stage, and all of its components must have some value for consumers. The concept is a system of marketing, architectural, finance, social, and psychological solutions that determine the future image of the facility and the order of its construction, market launch, and subsequent operation, development, and promotion. The mall concept is determined by the market segment and consumer groups. This research work reviews the algorithm for developing a marketing concept. The concept comprises a descriptive component that consists of market analysis, territory description, floor area calculations, and mall unit arrangement; the construction component that determines the works to be performed, cost estimates; and the economic component with the investment requirement calculations, payback times, as well as income and expenditure items. The marketing concept must be developed in detail to assess the risks and plan the financial success of the property.

Keywords: Marketing research, concept, mall, profitability

1. Introduction

Marketing feasibility assessment is a crucial component of any project. Its main goal is to collect the data necessary to understand whether the retail facility planned for construction is going to have a stable flow of clients and be resilient to the competition.

This article deals with the problems of selecting a retail property concept. The article focuses on the development of a methodological approach to this problem.

The authors studied the theoretical background of the problem (International Council of Shopping Centers…, 2020; Kapp, 2016; Natsional'nyy standart RF GOST R 51303-2013…, 2020; Nurenberger et al., 2014; Shevchuk, 2017; Yi-shao Shi et al., 2015) and developed an algorithm for the marketing feasibility assessment of the retail facility concept.

This article can be used by company managers, sole entrepreneurs, academic staff, and economics students.

2. Problem Statement

2.1. We aim to study the theoretical aspects of selecting a retail property concept including the formats and classification, as well as the retail facility concept definition and the marketing approach.

2.2. We also want to develop an algorithm of retail facility concept formation.

3. Research Questions

The subject matter of this research is the algorithm for the feasibility assessment of a shopping and recreation center concept. Firstly, it is necessary to expose the theoretical notions and answer the question "What is the retail property concept?" Secondly, it is necessary to review the economic factor of future profitability, i.e., answer the question, "How can you decide whether the place is good for renting?" To determine whether the construction is feasible, we can use the answers to the following questions:

- is it possible to build a shopping and recreation center in the territory in question?
- is it a good idea to build a shopping and recreation center in the territory in question?
- how should we build a shopping and recreation center in the territory in question?
- is it profitable to build a shopping and recreation center in the territory in question?

4. Purpose of the Study

The purpose of this paper is to develop an algorithm for the marketing feasibility assessment of a retail property concept.

5. Research Methods

This research relies on the following:
- general scientific research methods:

- the logical analysis; the authors determined a list of notions necessary to analyze the problem. The identical parameters of retail facilities are identified to determine the characteristics of the subject-matter classification (Orekhov & Subaeva, 2014).

- the description and generalization methods based on the analysis of examples and identification of similar parameters. This method helped us make the conclusions that expose the subject-matter of the research;

- the retail property classification method;

- the abstraction technique to identify the key correlations without reference to secondary parameters of facilities;

- the observation method helped us accumulate practical knowledge about the subject-matter of the research;

- the analogy method was used when comparing similar and dissimilar parameters;

- the systemic approach was applied when determining methodological principles that ensured seeing the research subject-matter as a system.

6.   Findings

The marketing concept of a shopping mall as a combination of approaches plays a crucial role in the formation and validation of the economic feasibility of retail facilities because it helps rationalize the sales proposition, analyze the consumer penetration, determine people's incomes and expenses, as well as unclaimed demand.

The authors used the results of this research to develop a 9-stage algorithm of the marketing feasibility assessment for the selection of a retail facility concept.

Each of the stages allows the researcher to determine the economic feasibility of the shopping-and-recreation center project (Arkhipov & Arshinova, 2015).

Stage 1. Location analysis.

This stage reviews the factors that make the construction of commercial property at the given location promising.

The analysis comprises the assessment of adjoining territory, transport accessibility, infrastructure development prospects for the area according to the regional strategic development plans, and the vibrancy of local flora and fauna.

The authors classified the possible recreational parameters to assess the location's attractiveness. Each of the parameters has a quality grade. The selection of the quality grade option determines the total score of the parameter. At the end of the selection, the scores are summed up (see Table 1).

Table 1. The assessment of recreation attractiveness of the area

Assessment parameter	Quality assessment	Score
Picturesque (vibrant)	The landscape is vibrant, admirable, mesmerizing	
	Quite picturesque, creates a good mood	
	Bleak, neutral, unimpressive	
Unique (exotic) for the	Region	
	Subregion (territory)	
	Administrative district	
Educative value	Clear, requires no explanations	
	Requires brief explanations	
	Requires extensive explanations	
Preservation	Well	
	Partially destroyed (1-10%)	
	Completely destroyed (10-20%)	
Accessibility, distance to the nearest public transit station	Less than 0.5 km	
	0.5-1.5 km	
	Over 1.5 km	

The top score is 15. This expert assessment helps forecast the future foot traffic and prospective profitability of the mall.

Stage 2. Overall market performance.

The second stage allows checking both the social and economic development of the region and the retail development level.

The analysis of social and economic development should be performed using the official statistics from the city/region for the following parameters:

- retail turnover in millions of rubles;
- retail turnover in % of the previous year's values in comparable prices;
- catering turnover in millions of rubles;
- catering turnover in % of the previous year's values in comparable prices;
- paid consumer services volume in millions of rubles;
- paid consumer services in % of the previous year's values in comparable prices;
- nominal accrued monthly average wages in rubles;
- nominal accrued monthly average wages in % of the previous year's values;
- number of unemployed registered with state employment offices (at the end of the year) in thousands of people;
- consumer price index since the beginning of the year (as compared with the same period of the previous year in %).

The results of the analysis of these parameters help determine market saturation and entry opportunities.

Stage 3. Competitive environment assessment.

The profitability of a retail facility depends, among other things, on the competitive environment.

The analysis of the competitive environment may take one of the following trajectories:

- the retail property market in the construction area;

- the analysis of the projects planned by the competitors in retail;
- identifying the strengths and weaknesses of the current competitors;
- alternative distribution channels outside the competitive environment;
- competitors' pricing policies.

Stage 4. Marketing analysis of audience.

The audience analysis stands for the study of audience preferences. This study must result in the understanding of what specific retail and leisure facilities should be added to the mall project (Shevchuk, 2017). Consumer surveys may be carried out through interviews, in-hall tests, polling, focus groups, etc.

Stage 5. Pre-brokerage.

This stage is used to determine the prospective rent profit and establish the pricing policies for rent (Fasli et al., 2016). It is possible to achieve this through polling (polling prospective tenants about the necessity of the shopping mall construction). At this stage, the preliminary list of tenants is drawn up.

Stage 6. Establishing the format of the future facility.

At this stage, it is necessary to determine the size and type of a retail facility. It is also necessary to determine the proportion between the retail, entertainment, engineering, and catering areas.

Stage 7. Considering the trends relevant to the further development of retail facilities.

This stage stipulates reviewing the world and Russian markets, as well as their key trends. When designing a shopping mall, it is necessary to avoid obsolete and irrelevant concepts in favor of advanced designs. The retail facility must fit in with the surrounding architecture.

Stage 8. Control of errors.

This stage stipulates collecting statistics on the most frequent errors that occur during shopping mall design and operation stages. Since the object is commercial, it is necessary to compose a business plan that will help extract maximum profits from the current marketing concept.

The occurring errors can be analyzed mainly based on secondary information and the independent analysis of the shopping mall selection for their success or failure factors and the drawbacks in their operations (Anuradha, 2015).

It is necessary to pay special attention to the materials used in construction and complying with the fire safety rule for the facility.

Stage 9. Construction feasibility calculation.

At the final stage, the overall project expenses are calculated. It is necessary to find the best set of expenses without reducing the quality or exceeding the required limits. Poorly-calculated project costs may result in the increased payback period and on-going modification due to the understated expenses. As soon as the expenses are determined, we can calculate efficiency indicators. Indicator examples are shown in Table 2.

Table 2. Payback parameters for the shopping and recreation center to be built

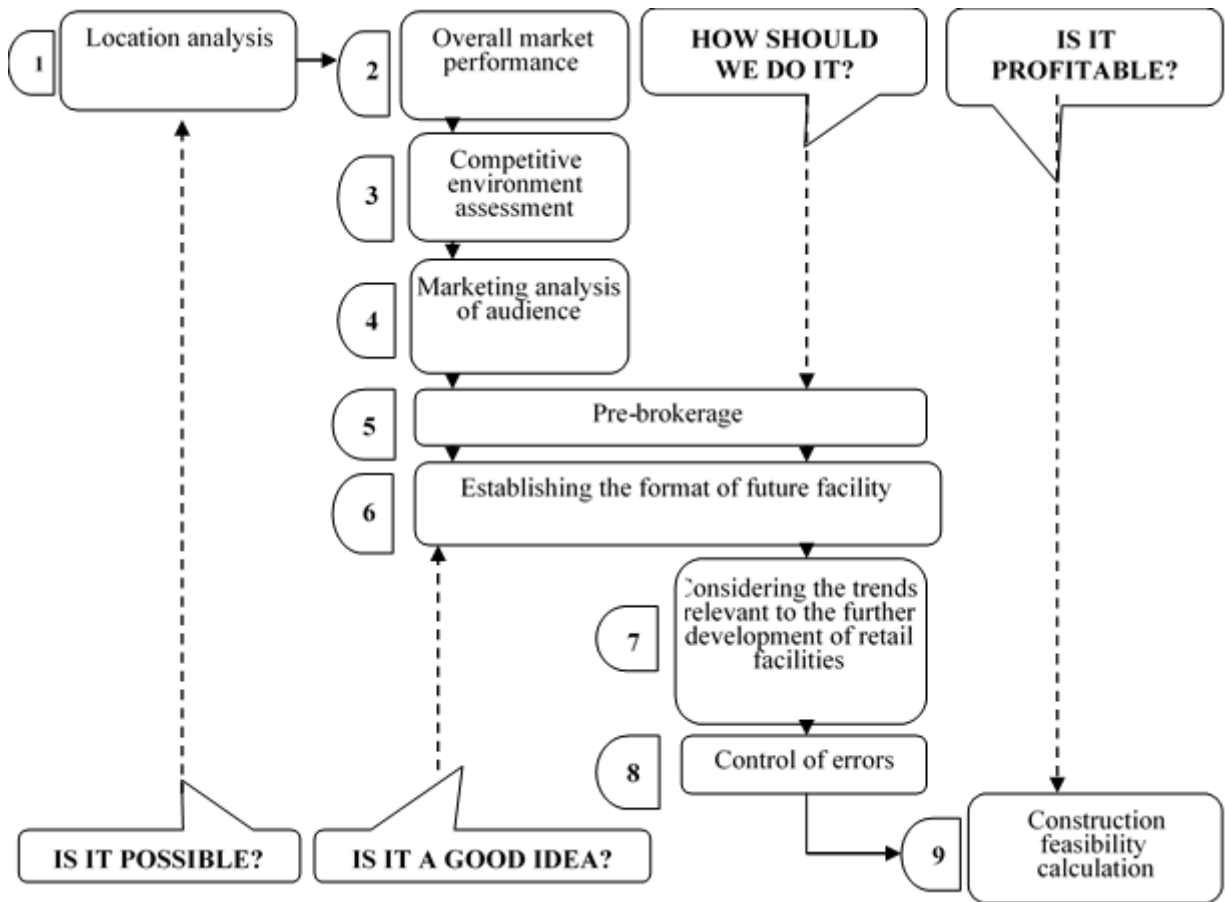| Parameter	Value
Income from operations in thousands of rubles	
Labor compensation, operating costs, taxes, etc, in thousands of rubles per year	
Water park profits in thousands of rubles per year	
Income from lodging facilities at 55% load in thousands of rubles per year	
Labor compensation, lodging facility operation costs, taxes, etc. at 55% load in thousands of rubles per year	
Profits from lodging facilities at 55% load in thousands of rubles	
Income from retail area renting at 70% load in thousands of rubles per year	
Operating costs, tax payments, etc. in thousands of rubles per year	
Profits from a retail area renting in thousands of rubles per year	
Income from recreation-and-leisure area renting at 70% load in thousands of rubles per year	
Operating costs, tax payments, etc. at 70% load in thousands of rubles per year	
Profits from a recreation-and-leisure area renting at 70% load in thousands of rubles per year	
Annual profits from the operation of the mall in thousands of rubles.	
Construction investment volume in thousands of rubles.	
Construction period, months	
Payback (investment return) period from the mall launch in years	

The implementation of all marketing feasibility assessment stages for the concept must be carried out taking into account the mutual influence of the analyzed factors and the development of the situation over the maximum forecast period. The more complex and larger the project is, the more significant is its influence on the market and the more complex and deeper the preliminary analysis should be.

7. Conclusion

The authors conclude that a detailed algorithm of marketing feasibility assessment applied to a specific facility at the design stage can help formulate the concept of the shopping and recreation center in question and improve its competitive edge on the market.

The 9-stage approach to marketing feasibility assessment of the retail facility concept suggested by the authors is not complicated, logically structured, and it provides the answers to the key questions ("Is it possible?", "Is it a good idea?", "How should we do it?", and "Is it profitable?") that owners face. These answers determine whether the retail facility to be constructed is going to be feasible, efficient, and profitable.

The questions and stages developed can be presented in the following diagram (see Figure 1).

Figure 1. The algorithm for the marketing feasibility assessment of a concept

The authors developed a uniform algorithm for the marketing feasibility assessment of a retail property concept.

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