

*Full Length Research Paper*

# The strategy of site selection based on Business Circle Theory--The case study of Xi'an Wal-Mart, Carrefour and Metro AG

Wang Yuan<sup>1</sup>, Kong Wei-Wei<sup>2</sup>, WANG Lu-Min<sup>2</sup>, GAO Yun-Xiao<sup>2</sup>

<sup>1</sup>Management school, Xi'an JiaoTong University, Shaanxi Xi'an 710049, China;

<sup>2</sup>Management school, Xi'an Polytechnic University, Shaanxi Xi'an 710048, China)

Accepted 14 October, 2022

The retail has been called location industry. Location is important to retail for which may lead to success or failure. This paper proposed a location model based on circle theory, and three cases, including Wal-Mart, Carrefour and Metro, were analyzed in Xi'an city. Results indicated that the location model can provide direction for location to retails.

**Keywords:** circle theory; retail industry location; location model; case study.

## INTRODUCTION

Market positioning strategy is an important part of the retail company's overall marketing activities, and which customers prefer is the special positioning of the retail companies (Li and Qian, 2004). The success of the positioning is a prerequisite. The research from LiFei has solved the problem of the positioning choices and how to achieve positioning, But the research did not provide the site selection strategy under the positioning framework.

Retail is known as "industrial site", the importance of the site is self-evident. It is the fundament of implementing the positioning strategy to adopt correct location strategy for the site, the positioning strategy from Wal-Mart, Carrefour, Metro is very successful, and the achievements in the international marketing also confirmed this. The paper research the site selection strategy based on the positioning framework from Li Fei, based on Business Area Theory, taking the Xi'an market, Wal-Mart, Carrefour and Metro, three retail businesses for example, analyze the "location" strategy under the marketing positioning strategy. The purpose of this paper is to answer the following two questions: What is the location strategy under the marketing positioning strategy? How to apply the Business Area Theory

guidance for business location decisions?

## The definition of Business Area Theory

Business Area Theory (BAT) was first made by Germany geographer woerte•kelisitaile in the 1930's, that is a central place theory of goods and services . The scale of business area is a dynamic range, and the form of Business Area renders various irregular polygon. For easing analysis, we usually set store locations as the centre (Tian, 2010), and set the factors considered as Business Area to set a distance as RADIUS around the delineation. In the case of a large store, the scope of Business Area Theory includes the regional scope which customers can reach easily using various means of transport, except around the outside. In this way, we can divide the circle to the edge of the central business district, sub-Business Area Theory and the fringe business area (Feng., et al 2004), as in Figure 1.

## Business Area Theory Model

Business Area Theory saturation Saturation of the Business Area Theory (Michael., et al 1992) is an index which judges the competitive level in a

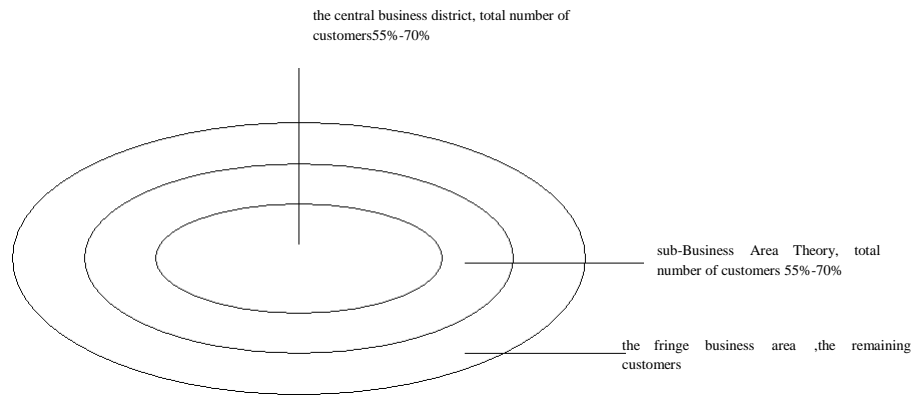


Figure 1 Business Area Theory Model

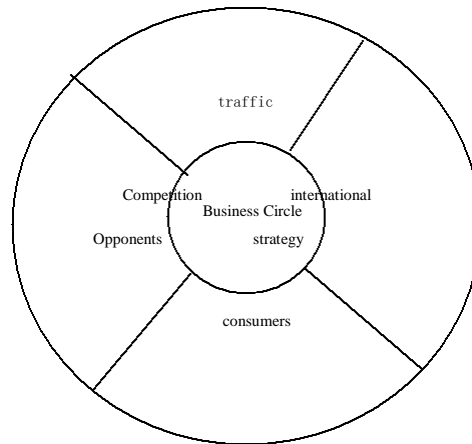


Figure 2. the location policy mode based on C Business Area Theory

similar business. Under normal circumstances, we can understand a sector of industry is excessive or insufficient, and decide whether to choose this place by calculating or determining the saturation indicator of certain sales. When saturation is high, the remaining space is limited, and It would not be appropriate to enter; When saturation is low, shows market space is large, and there is a great development opportunity.

### Lei Lifa

Lei li from Americans applied the physics of Raleigh in the law of universal gravitation to analysis of Business Area Theory. He thinks has the function of two retail centers and the city, and the attraction of retail transaction is proportional to the population of the two cities, and is inversely proportional to the distance between two cities and city or town (Barry., et al 1992). The law confirms that the city's population more, bigger, more business developed. Local supplies of goods and

services in terms of quantity, variety, will have a larger development.

The law's contribution to the study of urban shopping district is: if companies cannot obtain these more detailed information in the investment areas, and only can get this investment areas' population and geographic situations through the official information. In this case, we can use Lei Lifa preliminary to judge the attraction of this area. Lei Lifa is simple operation methods, accessing data easier, is often used the method early in the decision.

### The location policy mode based on Business Area Theory

According to the perspective of Business Area Theory, we believe that we should analyze from the following four aspects when you do site based on the Business Area Theory, as shown in Figure 2:

(1) External environmental factors. Traffic conditions was a major factor affecting the scale of Business Area



**Figure 3.** location map in XI'AN city

Theory (Robert, 2004). Stores in a convenient area will be expand the scope of Business Area Theory, on the contrary, Limited transportation will limit the extension of the scope of Business Area Theory.

(2) Internal factors, mainly refers to internal strategies. Use of enterprise's strategic location to attract more consumers to shop.

(3) Consumers. Understand the consumers' knowledge, cultural structure, income levels, age around the retail enterprise, and analyze these consumers' spending habits and consumption concept. On the basis of this, we match the characteristics of enterprise's target customers.

(4) Competitors. We must take the competitors (number and size) into consideration before the final site location (Fu, 2010). If your target audience is also a target consumers of the supermarket industry, in theory, this part of potential customers will be attracted, and the scope of Business Area Theory will be reduced. Of course, there are also a number of competing supermarkets in the same site, the consumers will choose to shop here though comparing supermarkets, so there is not much effects on the scope of the Business Area Theory.

## Research methods and objects

With the standardization development of scientific research, case studies had become an important method is widely used in the field. As early as 1984, case study methods expert Robert k. Yin (Robert k. Yin) had a classic definition on "case study": case study is an

empirical research (Empirical Inquiry), studies Contemporary Phenomenon under the background in the real life; In a research context, distinction between itself and its background is not obvious, researchers only study making extensive use of case evidence (Huangyan, 2008). Based on this definition, combined with the contributions of scholars in recent years on the case study, we find that the case study is an empirical study, it is more suitable for studying this type of questions, such as how or why problems, research focuses on the things [9]. Their specific application context can be summed up as: (1) to answer the "how" or "why" questions; Their specific application context can be summed up as: (1) when the researchers answer the "how" or "why" questions; (2) when the researchers can hardly control the objects and events; (3) when the research is the real problem. Case study , as one of empirical research methods, plays an important role in the social sciences. Consider the advantages of this practical method and case study, this paper will select it as a research method.

The retail sector has been called the "location", location of success or failure is related to the enterprise. There are three large representative retail enterprises, Wal-Mart, Carrefour and Metro, called "big three retail". Continued successful expansion of the three companies is the prerequisite of successful location. This paper study the three enterprises' location in XI ' an. Three enterprises' location in Xian City is shown in Figure 3.

## Wal-Mart in Jinhua road

Wal-Mart was built by Sam Walton from the United States

**Table 3-1.** Comparison of three core shopping district

Compare Project Enterprise	Location and traffic	Radiation range of Business Area Theory	Consumers	Competitors
Wal-Mart	Xian "golden belt", the northeast corner of intersection of East, Central and South second ring, on the floor of LiFeng	the regional Within 200 metres	65% more than the total account for customers, many plants, residential and school (see Figure 4)	<i>CRV (Xianning shop) there is less than 500 metres, the Business Area Theory appears to overlap, but little impact</i>
Carrefour	Xiaozhai road and West Main Street zhuque cross junctions; human flows great, traffic jam is more common	the regional Within 200 metres	Customers in the region accounted for more than 60% of the total, including a number of schools, urban villages and units	<i>Trust-Mart, CRV, Renrenle</i>
Metro	<i>Long Annan road, 86th, adjacent to long XI road Annan road (called "Xian-long pulse"), traffic is very convenient, there is no traffic jam phenomenon</i>	<i>The entire downtown of xian</i>	<i>Customers accounted for around 70% per cent of the total, trade service providers in the Yanta district, hotel, canteen and purchase units</i>	<i>Due to the particularities of the target object, and its direct competitor is not strict; the indirect competitors are: Universal Music, Lotus, CRV</i>

in 1962, in Arkansas. It entered China in 1996, 2005 into the XI ' an. Wal-Mart store located on the first floor of Li Feng International shopping in Xian Jinhua road, the northeast corner of intersection of East, Central and South second ring. traffic is very convenient.

The corporate strategy is lower-priced competition. It has been advocating the "everyday low price" and "save money" business philosophy. Wal-Mart's advertising positions language design as "everyday low prices". According to the "low-price competition," positioning, Wal-Mart positions its target customers in the middle income group, with relatively low prices buying the quality products will bring them greater satisfaction.

#### **Carrefour, small village shop**

Carrefour was founded in 1959, is the first hypermarket format, is the world's second-largest chain of retail internationalization. It entered China in 1995, and entered into XI ' an in 2005. Carrefour of the XI ' an North Street store opened on December 6, in 2005, moved to a small village in early 2007, and exit Xian market in 2010.

Corporate strategy: lower-priced competition. Carrefour designs the advertisement positioning as "happy

shopping Carrefour", and determines the management idea is: buying enough goods, low prices and fresh, on-demand shopping and parking free. Analysis of Carrefour location found, a prominent feature of the Carrefour location is "crossroads". Typically, Carrefour, when it stationed in the city, pay attention to the preemption line the bustling commercial district of the city.

#### **Metro Yanta branch**

Metro, founded in 1964, is one of the world's three largest multinational business group. Its business is "wholesale" sale, mainly targeting at small and medium sized retailers, hotels, factories, Governments, organizations, enterprises and institutions. Metro entered into China in 1995, and entered into XI ' an in August 2003 formally. Metro Yanta stores located in long Annan road, 86th, adjacent to the road long Annan road, Xian.

Metro strategy: cope with shifting events by sticking to a fundamental principle [policy] in China. "Restriction of transport" is one of the Metro's characteristics. It refers to professional customers in the warehouse store within a specified commodity, paid in cash and took the goods. Compared with the traditional delivery of wholesale,

**Table 3-2.** Comparison of three sub- Business Area Theory

Compare Project Enterprises	Radiation range of Business Area Theory	Consumers
Wal-Mart	the regional 200-300 metres	<i>Many plants, residential schools and relatively stable (see Figure 4)</i>
Carrefour	the regional 200-300 metres	<i>accounted for 30% of the total customers</i>
Metro	<i>The areas outside the core business area</i>	<i>accounted for 30% of the total customers</i>

**Table 3-3.** Comparison of three edge of Business Area Theory

Compare Project Enterprises	Radiation range of Business Area Theory	Consumers
Wal-Mart	the regional 300 metres away	<i>Random flows</i>
Carrefour	the regional 300 metres away	<i>10% percent of the total customers, people in general are window shopping stroll tired, and college students, randomly, but flow large</i>
Metro	<i>Due to the particularities of the target object, the Business Area Theory more broad, consumer units</i>	

"Restriction of transport" has the advantage of better price/performance, wide range of food and non-food categories, immediate access to goods, longer operating time. Shopping Centre offers a wide range of food and non-food. Especially on the supply of fresh produce, goods include fruit, vegetables, fish, meat and dairy products. Metro "Restriction of transport" positions target customers include restaurants, hotels, food, non-food trade service and procurement. They can find large packages to meet specific requirements.

## RESEARCH RESULTS

According to the marketing orientation strategy of site policy model, businesses in the location you want to first consider the external environment, including its surrounding traffic, customers, and competitors.

### Comparison on core of Business Area Theory

The core shopping district generally refers to shopping malls around the area within 200 metres, which customers tend to be the most stable shopping target customers, generally accounted for 55%-70% of the total customers (Tian, 2010). This part of customers are living or working near the Mall, reach the shopping centre is very convenient, purchase the highest of the goods amount average and bring to market by the highest yield. Compare of three core business area as shown in table 3-1.

### Comparison on Sub-Business Area Theory

The sub-Business Area Theory generally refers to shopping malls around the area 200-300 metres, which customers tend to be more stable shopping target customers, generally accounted for 15%-25% of the total customers (Tian, 2010). This part of customers may take some time to get to the Mall. The distribution of these customs is not uniform, and per cent of total consumption is lower. Compare of three sub-Business Area Theory as shown in table 3-2.

### Comparison on edge of Business Area Theory

Edge shopping district located in the perimeter of the secondary business district, is a shopping mall of target customers in the most unstable parts, accounted about General 5%.This part of consumers reach the Mall not too conveniently. These consumers include generally mobile customer or attracted to the customer. Compare of three edges as shown in table 4-3 of Business Area Theory.

## DISCUSSION

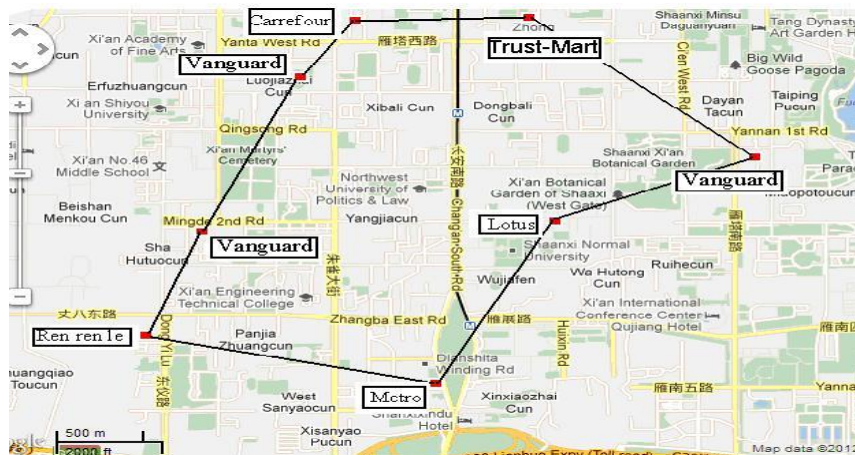
### Wal-Mart

Wal-Mart's site is a model of theory of Business Area Theory. The location not only combine Business Area Theory effectively, but also very good with a combination





**Figure 4.** The core Business Area Theory and sub-Business Area Theory of Wal-Mart store



**Figure 5.** distribution of Business Area Theory small village supermarket

of local realities. Wal-Mart in Jinhua road shop is located of LiFeng International for Center. This center is consumption shopping mall with new experience, which is setting shopping, and restaurant, and entertainment, and leisure, and culture, multiple industry. And Wal-Mart makes consumer full enjoy "a station type consumption" by combination with other units active state. Meanwhile, Wal-Mart attracts more customers with the help of this favorable conditions.

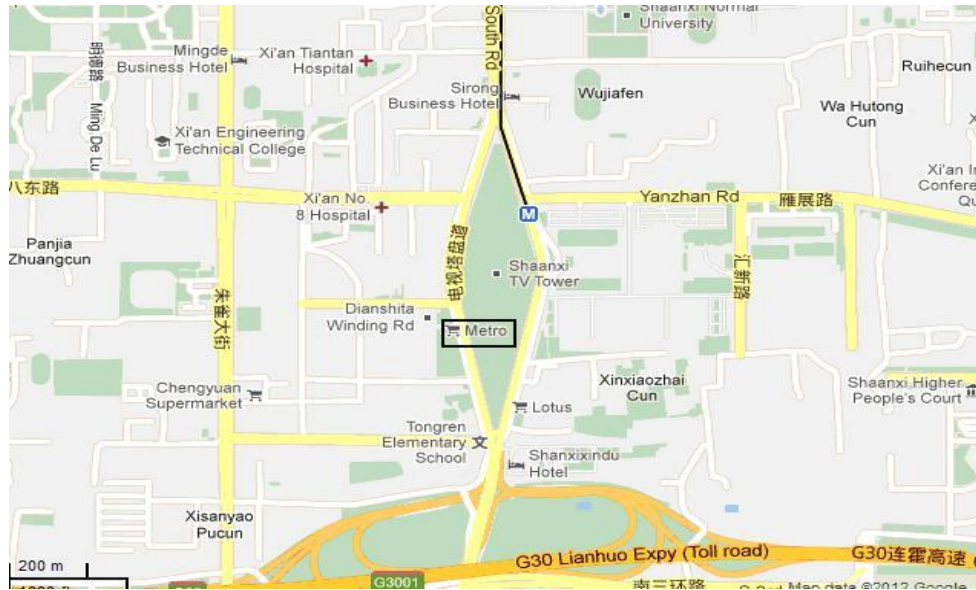
In addition, there is a very convenient transport facilities around Wal-Mart. In front of its door is the bus schedule, over more than 40 buses pass by. Around the ripe community continue to increase, existing residents have reach more than 300,000 people, which ensured the company's passenger traffic.

What's more, another bright spot of Wal-Mart's successful location is that coexistent and common

develop with flower shop CRV Xianning shop (the original home of Xianning shop). There is less than 500 metres both distances, in theory there is much overlap of Business Area Theory. But we can see from the figure they are separated by a complex and Jin Huanan road, so the Business Area Theory have overlap, yet has little effect.

### Carrefour

Carrefour supermarket, small village shop followed for the selection of its consistent principles: "crossroads". The shop is located in the small village of West Road and main street zhuque cross intersections, and in a small village shopping district. But we analyze the supermarket distribution (Figure 5) and find: (1) the Carrefour location



**Figure 6.** transportation situation around Metro in Yanta district

is not a core area but to the western edge of the small village shopping district (small village shopping district has always to be "Mong Kok, North and South, poor thing"); (2) the Carrefour shopping district with many supermarket shopping district of overlap, particularly CRV surrounded by almost the entire small village shopping district, which makes the Carrefour lost many customers. Of course, Carrefour also uses all kinds of ways to attract customers, and a good example of this is that there is a France gourmet Street at the entrance of Carrefour supermarkets. Carrefour tries to use this way to attract residents and students of stroll tired. But the results will not show, Carrefour exit XI ' an market in 2010 ultimately. We do not rule out other reasons, but there is a large degree of overlap on its selection of Business Area Theory and similar competitors from the location, which makes its location based on the theory of Business Area Theory location did not achieve the desired results. fig 5

## Metro

Because of the particularity of METRO target customers' selection, there's also special in site selection: convenient transportation concerns most and the success of the Wild Goose Pagoda Metro store well proved that. Changan south road is the southernmost place of Xi'an central axis, from figure 6 can see, the central axis which Changan south road placed is divided into Changan south road, Changan north road, Nanguan street, South street, North street, Beiguan street, Weiyang road, across Yanta, Beilin, Lianhu, Xincheng and Weiyang district, through the business areas of Xiaozhai and Bell tower, more importantly, the place which about one kilometer south of Metro is Xi'an City Express. This site selection

not only considers the customers in the core business areas, but also takes the edge customers into account. Customers in core business areas can reach METRO through central axis, while the edge customers can reach the destination through city express without traffic jam. As can be concluded, the site selection of METRO which is combined with enterprise strategy and fully investigations is proved to be successful.

## CONCLUSION

Location is critical to successful of retail businesses.

This article analysed the site selection of three international retail giant in xi ' an, and draw several points conclusions and implications as following:

(1) this paper built a site selection strategies model based on Business Area Theory model, aimed at guiding site selection of retail under the strategic positioning. The study results of the Case shows that this policy model for the site selection is effective and operational.

(2) Business Area Theory is "golden rule" for the site selection , while from comparison of the above three cases, it can not be blindly followed, but used combined by their actual applications of enterprise and market. For example, Wal-Mart, had fully taken into account their "everyday low prices" low price competition strategy and the situation of selected area (around the traffic, target customers, competitors, and so on) when it sited with Business Area Theory ,so Wal-Mart can ensure it has a sufficient number of tourists while minimizing costs;

While Carrefour was also applying the Business Area Theory, but after 5 years of development, Carrefour failed finally in xi ' an; Metro with its "restriction of transport" characteristics, which looked for a sufficient source of

customer and convenient traffic. it is a living example of the success .

(3) so strong international influence and abundant Strong Capital Strength is not the inevitable factor of success of a retail companies. Only scientific and rational location, domestic retail business can get the opportunities to compete with international giants.

With the development of China's economy, changing form export-led economy to a domestic economy, domestic retailing is ushering a golden strategic period development , the location is crucial. The practice of Location of foreign retail giants was worthy of our reference, it should also be further researched and developed.

## REFERENCES

- [United States] Barry J. Babin, James S. Boles, Laurie Babin. The Development Of Spatial Theory In Retailing And Contribution To Marketing Thought And Marketing Science [J]. Journal of Marketing Research,1992(5):127-141.
- [United States] Michael L, Barton A. Weita. Retailing management[M]. RICHARD DIREIN. INC. , 1992:357.
- Feng X, Lu R, Dewen L (2004). The attractive Analysis on outlets [J]. Business research, 2004, (24): 117-119.
- Fu Q (2010). Project site case study on Friends shopping Ltd business [D]. Dalian University of technology master's degree thesis, in 2010,11.
- Huangyan (2008). civilized Super. Review of case study method [J]. Journal of Jiangxi University of finance, 2008,21(4): 137-138+144.
- Li Fei, Qian (2004). The comprehensive model of Market positioning strategies [J]. Nankai business review, 2004,7(5): 39-43.
- Robert KY (2004). Case study design and methods (3rd Edition) . Zhou Haitao translation [m]. Chongqing: Chongqing University Press, 2004. 38-42,124-131,65-152.
- Tian Z (2010) A Studyon ComPetitive Location of Urban Petrol Service Station Based on Business Area Theory [D]. Huazhong University PhD thesis. 2010.4.