Business Studies Coursework

Introduction

-Aim

The aim is to chose a vacant site and carry out research to find out what is the most suitable type of business that should be opened and why. I will carry out primary and secondary data, present them in a variety of ways (which suits each one) and perform a swot analysis to draw a conclusion. I have chosen the old C&A building on Oxford Street as my vacant site.

-The Area: Oxford Street
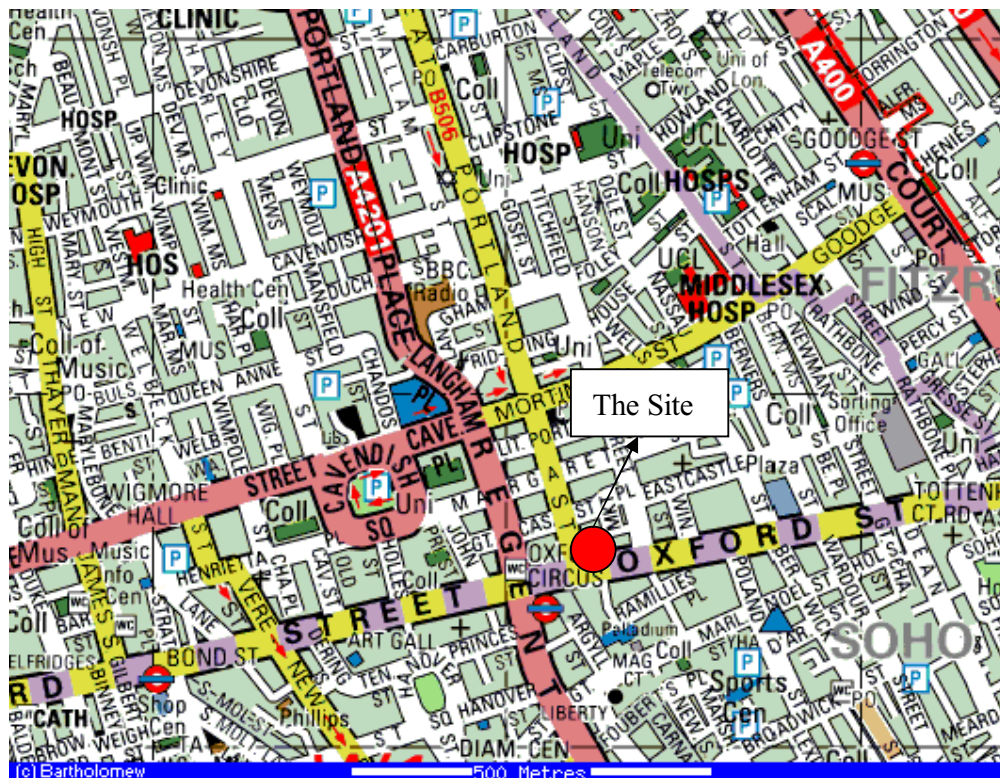
Oxford street is the most famous shopping area in Britain and is known internationally. It is a popular tourist attraction. It stretches from Marble Arch to Tottenham Court Road for one mile. In this report I will focus on the area surrounding my site. There are 3 tube stations and 1 bus stop. Many well-known department stores, national and international chains stores are located here. Examples are M&S, Debenhams, Selfridges, HMV and Gap. This are (W1) has an average property price of 322,783 pounds, which is high. This suggests that revenue may be important to what ever shop opens here. It would need to be high to cover the costs.

-The Site: Old C&A Building, 501-519 Oxford Street, Marble Arch, W1A

The building is a large flat of 5 floors, there is about 150m^2, meaning there is 750 m^2 of floor space. This means the shop does not have to specialize in a certain market. It could sell a range of goods and services. The ground floor has two sides of glass, which is an advantage for promotion; people may be attracted to what is inside. The previous use of the building was a clothing retailer, it was an international chain store, but has made losses of 250m pounds in the last five years, and so closed.

-Methodology

1. Primary Data

- Questionnaire

  The aim of the questionnaire is to find out the profile of consumers who visit the area (Oxford Street). It is a direct way of finding out what consumers need/want. In this coursework, I asked 89 people, which is not statistically accurate. Also not everyone agreed to answer, it was mostly young people, so the result will be biased. These people may represent the population of the consumers of the area. Due to the limit of time, I chose random sampling. Quota sampling would require information about the consumers, which aren't available as secondary data.

  -Age

This was a scalar question. I wanted to find out how old the majority of consumers are. This is important because different ages of people have different wants. Some shops are targeted at certain market segments, in this case, age. This is a question about the consumers' profile, which is required to know if the results of other question are biased or not.

-Gender

This was a closed question. I wanted to find out which sex the majority was. This is important because some shops relies on this, they only provide goods/services for a certain sex. For example, if the area had higher proportion of women, it would be suitable to have a beauty salon or women's' wear. This information also tells me how the result may be biased. This is especially important since I will not be able to interview enough respondents to have the results accurate.

-Where have the respondents traveled from.

This is a opened question. I wanted to find out the sphere of influence of Oxford St. this may help me decide what type of shop should be opened. This is because different shops require different threshold population. A corner shop in residential areas have a small SoI, so its good must appeal to locals. A shop located in a area with a large SoI means it can sell a range of goods.

-How often does the respondent visit the area.

This is a scalar question. This will help me decide what goods/services should be provided. If there is a high frequency, the shop's SoI may be small to sustain it, which means a only low order good (e.g food) would be suitable. if there is a low frequency, a high order good may be provided, e.g a clothes shop.

-How much is the respondent prepared to spend.

This is a scalar question. I wanted to find out the spending power of the consumers. If they are willing to spend a lot, the good/services may be high priced, this is important in determining how much revenue the shop may make. This is important because depending on the location, the shop may have different costs.

-How did the respondent travel to this area.

This will be a multi response question. This will help me decide the size of physical goods provided by the shop. If most people travel by bus or tube, these goods must me easy to transport, e.g.books. if most people walk, it wouldn't be suitable to open a furniture superstore.

-What does the respondent want to see open on this site and why.

This is a multi response question.. this will tell me what the majority of consumers want. This is important because of an unpopular shop was opened, it is unlikely to succeed, it will not attract anyone nearby, it would need a larger

SoI, which is difficult at start, costs would increase due to promotion. If a popular shop opened, it would already have potential consumers.

-What is the purpose of visit of the respondent.

This will help me understand the market in the area. It will tell me what market is already there what what is lacked, hence opportunities. I'm also looking for new market segments/niches to exploit.

- Traffic and Pedestrian Flow

This information is important because different shops may depend on different flows, for example, a high traffic flow may mean the shop should be specialized. I will collect this information by counting how many vehicles pass the shop for one minute for both directions. For pedestrian flow, I will count the number of people passing in front of the shop and opposite of the shop for one minute. Both data will be collected 3 times a day (11:45, 13:35, 15:30). This is because the flows may vary according to time. I would like to know the average and the peak times, as this may affect the conclusion. For example, if there is a high pedestrian flow during the morning, a breakfast restaurant may be suitable.

2. Secondary data
- Local Environment

-Competition and complementary shops.

This will be done using GOAD maps from the Internet. I want to see what shops are in the area. It may be an advantage to open a shop similar to the majority due to external economies of scale. If people know a type of shop clusters in an area, they will visit that area for that good/service. This will cut promotion costs. If there is little competition, it is also likely to succeed, because people can only go to the shop for its unique goods/ services. With this information I will also be able to determine what kind of area this is. This will be done by calculation the percentage of different type of shops in the area.

-Transportation links/facilities

This will be carried out using maps for locating tube stations and parking lots. Bus stops will be located by observation. The links which the public transport provide will be known by using the internet or asking the London Transport. The following data will be collected: bus frequency, bus routes, number of parking lots and distance between the site and the transportation facilities. This data is important because the amount of people visiting may be affected by transportation. If there are no parking nearby, some people will be put off. Good transportation links means the area is likely to succeed in serving a large area/population.

-Tourist Profile

I will collect this data by using information from the London Research Center. I will collect this because Oxford street is a well know tourist attraction, I am expecting a certain amount of tourists visiting. I will collect information on origin and purpose of tourists. This may affect the goods provided. For example, if there is a high percentage of Japanese tourists, then because of cultural differences, it may be suitable to have a shop selling traditional British souvenirs.

Evaluation and Analysis

-Gender

Porprotion of Male/Female Consumers Visiting the Area
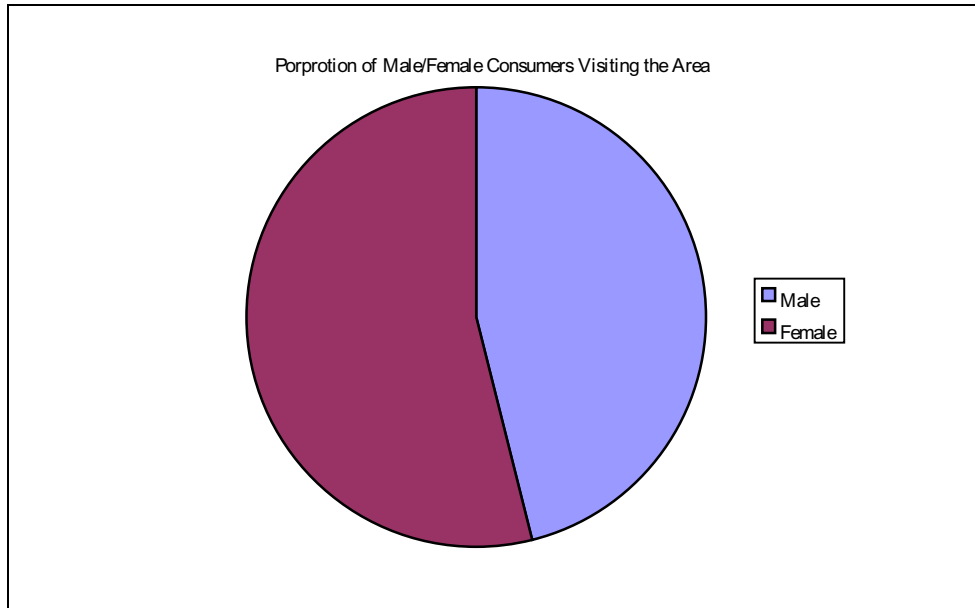
54% of the people who visit Oxford Street are female. This is probably because there is a higher percentage of shops, which sell women's wear. It may be appropriate to open a shop targeted at women. However there are only 4% more women, so this may not affect the conclusion as much. The proportion is roughly even, I think a men's wear shop may also survive. The results may not represent the true percentage of male/female visiting the area. So the results of other questions may be biased slightly towards women.

-Age

Ages of People who Visit the Area
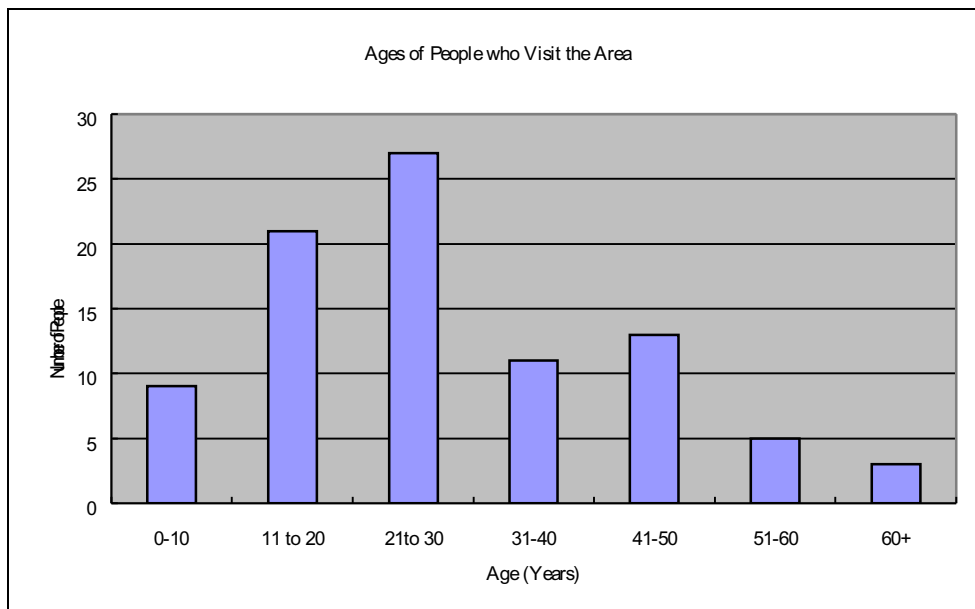
29 of the 89 respondents were aged between 21 and 30. The next most popular was 11 to 20 year olds. This maybe because the area has shops which provide fashionable goods, which attracts young people. It may also be due to the fact that when performing by questionnaire, people from these two age groups are more willing to answer. This may have heavily affected the other results, causing them to be biased toward these 2 age groups; especially when the sample was small, so the two seemed to be a high percentage. However, from these results, it may be suitable to open a shop which also provides fashionable goods/services at low price. This is because young people may not have much to spend.

-Sphere of Influence (graph on map)

Oxford street has a large sphere of influence, almost covering the whole of London. This means it can attract people from far away. This means the goods sold here, which are up market, causes the consumers to travel a great range to purchase goods. This means the goods provided by the shop should be also up market or special. Consumers would not travel 20 minutes to buy something provided by his/her local convenience store. However, a large SoI means there should be a high threshold population, which can support many types of shop. A shop may be successful if it provides products needed by shoppers while shopping. It would rely on impulse buying, eg. drinks or sandwich. But a comparison shop is still more suitable because although amount of goods sold may be lower than convenience shops, revenue would be higher. This is important since the site is located on Oxford street, where rental price would be high.

-Traffic and Pedestrian Flow

Time	People/minute	Vehicles/minute
11:45	48	13
13:35	107	21
15:30	92	18

Traffic flow is low, is because only taxis and buses are allowed on Oxford street. This means the shop opened can not rely on traffic flow. The shop should not be specialized. Overall, I think traffic flow is not significant; and should not affect my choice of shop.
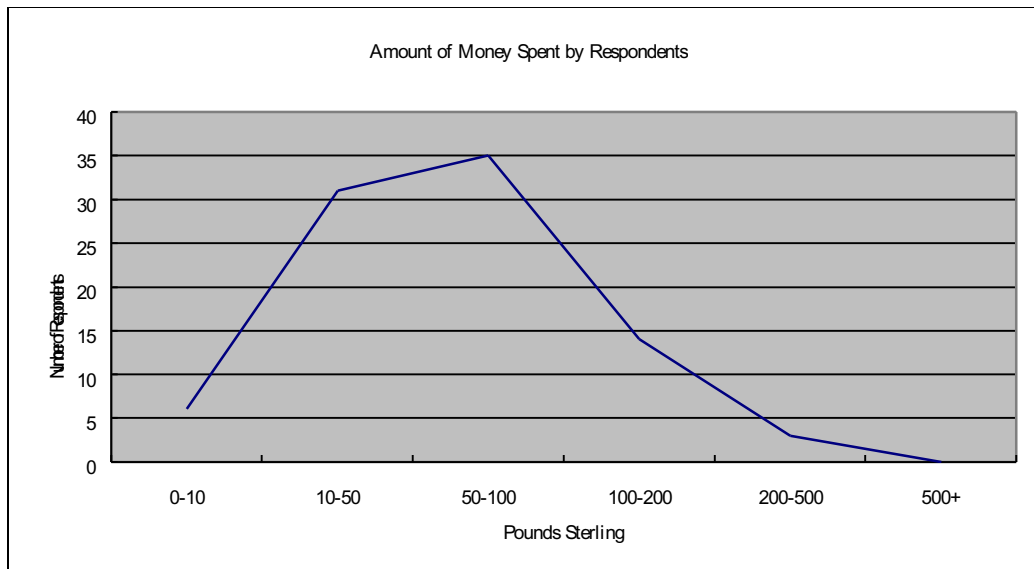
Pedestrian flow is high at all times. This is an advantage if a shop dependent on pedestrian flow, e.g. a comparison shop. Although not everyone passing the shop and visit and purchase goods, a high pedestrian flow means more people are likely to purchase. Therefore a shop similar to those close by would benefit from high pedestrian flow.

-Frequency of Visit

Frequency of Visiting Oxford St.
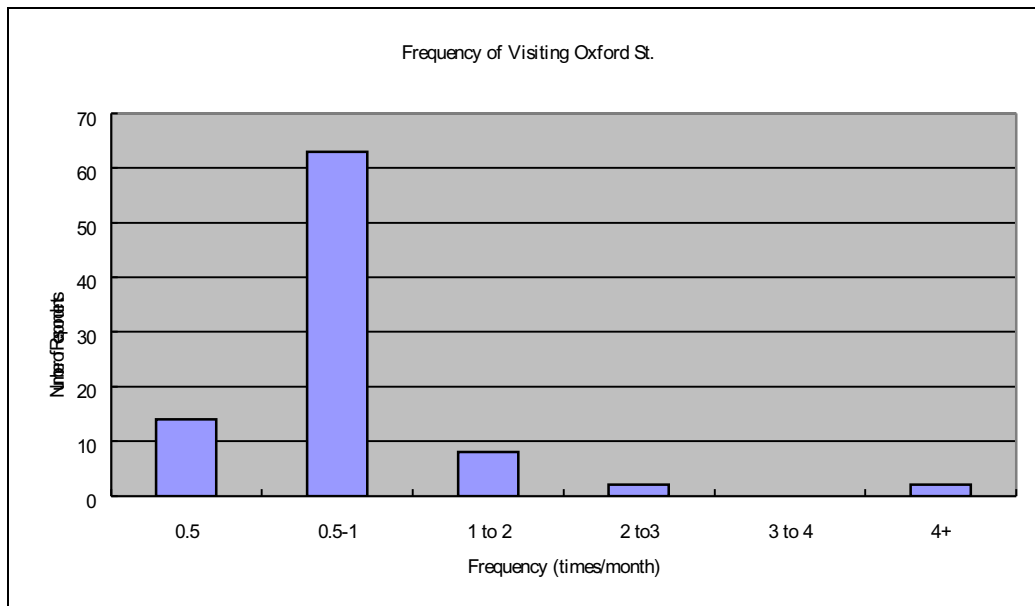
The majority of respondents (63 people) visit Oxford Street 0.5-1 times a month. There were 2 respondents who worked in the area and so visit more than 4 times a month. The low frequency is because of the large sphere of influence produced resulted from its market type-up market retailing. Consumers will not travel a great range frequently for shopping (main purpose); it is tiring and may become boring. Also because most product sold here are high priced, people are not prepared to spend a large amount of money frequently. Low frequency means the shop will need to rely on a large population to survive, this is provided by the large SoI and high pedestrian flow. Therefore a shop providing up market goods would be suitable.

-Amount of Money Spent by Respondents per visit

Amount of Money Spent by Respondents

Number of Respondents (y-axis: 0, 5, 10, 15, 20, 25, 30, 35, 40)

Pounds Sterling (x-axis: 0-10, 10-50, 50-100, 100-200, 200-500, 500+)

Most people spend 50-100 pounds per visit, with 10-50 being the second most frequent. People spending only 10 pounds may be just passing by and purchased food. There were respondents who spent 100-300 pounds, these may be tourists, which are prepared to spend a large amount of money, especially if they are on holiday. This is because Oxford Street is an up-market area, the goods and services it provides are high priced. This may be because there are many international franchises/branches, e.g. Nike, Gap, Next…etc. These shop provide branded comparison goods, which are high priced. The ability to spend money of respondent who visit the area is high. This means opening a shop providing high priced goods has a good chance of surviving, people are prepared to spend. However, because of high threshold population, a low-order shop may survive because the number of goods sold will be high (people buy low-order goods frequently causing a higher percentage of people buying [compared to comparison shops]). This will result in high revenue to cover high costs. However I think a low order shop would not make as much profit.

-Method of Transportation and Transportation Links
[map]

Main Method of Transportation
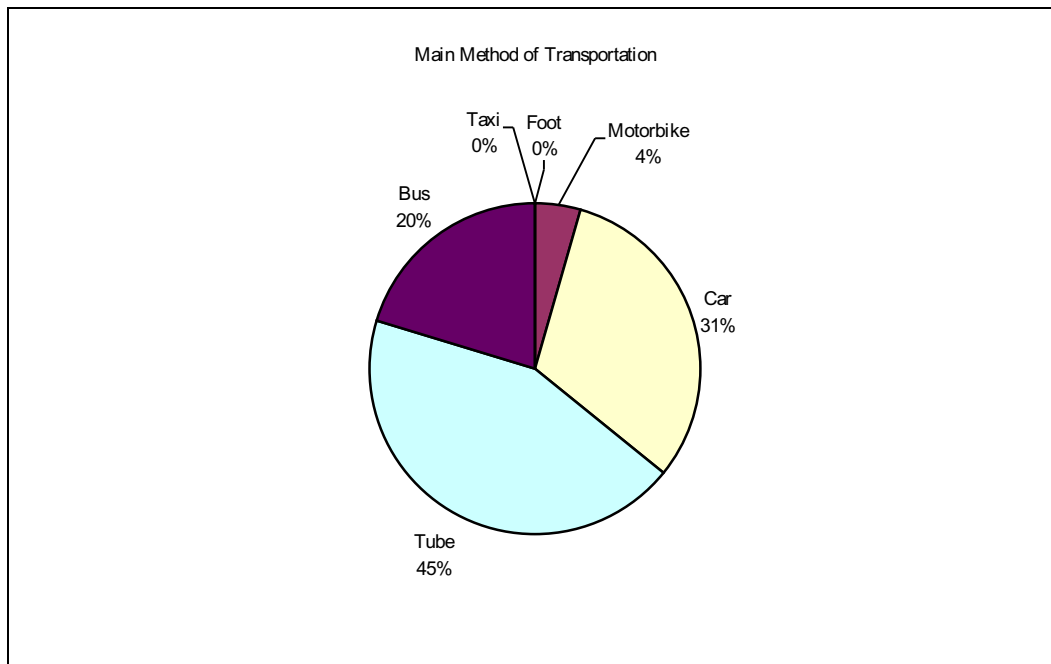
The most popular mean of transportation is by tube. This may be because there are 3 tube stations on Oxford Street. It may also be because there is a tube station exit opposite my site and one about 100 meters away. It may be that a high percentage of respondents I interviewed came directly from the station. However, I do not think this would not bias my other results. There is only 1 bus stop in the area, but it also brings consumers directly to Oxford St. people have chosen public transport because of this. There are 5 car parks near Oxford Street. So, although there are more car parks, it does not bring consumers directly to Oxford Street. This means that a shop that relies on car parks should not be located here, e.g. a supermarket. People have chosen these 3 transportation methods because they live far away. This affect the actual good being sold. It needs to be small enough for people to carry it. A shop providing service would also be suitable.

The tube exit in front of the site is an advantage. Because most people visit for shopping, they want to visit many shops. They may visit the site first; whilst they are still have the energy. A shop that is far away from any transportation links would not attract as much people because they would be to tired by the time they get there.

-Purpose of Visiting

Main Purpose of Visiting

General Shopping
Clothes
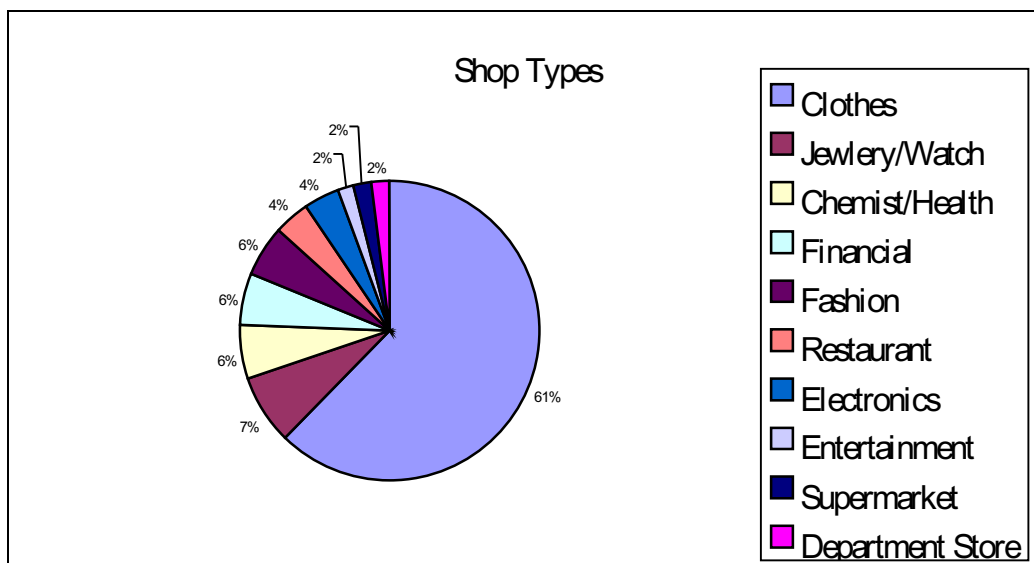Electronics
Entertainment
Restaurant

66% of the respondents visit the area for general shopping. This means they do not plan to buy a particular product. This means shops located here rely on impulse buying. the predominant land use is comparison shops, causing shoppers to compare products, hence shopping. Relying on impulse buying means the product/service must appeal to consumers, it must be famous or unique, hence an up market good/service. The second most popular choice was buying clothes, this is because most of the shops are clothes' retailers. It may be suitable to open a shop that suits the purpose of the majority, hence a clothes shop. This is because it may be easy to establish itself in the market due to external economies of scale (complementary shops). However, opening a shop in the less popular purposes mean there is a market to exploit. It may be difficult to start (respondents don't usually visit Oxford Street for food). But once established (with help of promotion), it will have little competition, therefore gain a large market share.

-What Do Respondents Want to be Opened On the Site

What Type of Shop Do Respondents want to be Opened on this Site
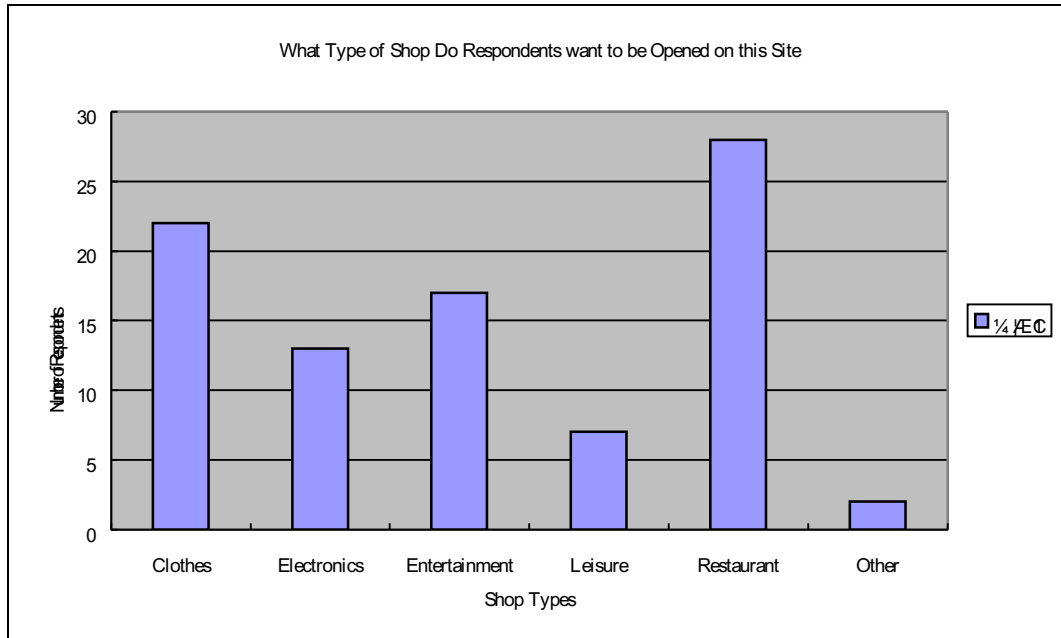
The most popular choice is restaurant. This may be because there aren't much restaurants in the area. People may want to have more choice of food. Opening a restaurant would be beneficial because there will be many potential customers. It will be able to establish itself without much cost of promotion. Lack of competition in the area means other choices (electronics and entertainment) may also be successful. However, because there are department stores in the area which may also sell similar products, a electronic/entertainment shop would need to have a range of goods and low price to attract consumers to shop and buy. Although clothes shops are the second most popular, I do not think it will be suitable. There is too much competition.

-Shop Types in the Area (See web page for photos)

Shop Types
- Clothes
- Jewlery/Watch
- Chemist/Health
- Financial
- Fashion
- Restaurant
- Electronics
- Entertainment
- Supermarket
- Department Store

This area is dominated by comparison shops, of which, clothes (especially women's wear) is the main market. This is because Oxford St. is located at central London, which is usually a city's busiest area. It provides high threshold population to support high-order shops. Clothes may be a dominant market because people like to shop for it. There are many type of clothes, which can be divided into different style, color, brand…etc., a large variety means people will shop for it. However, this may cause a new clothes shop to face competition. A shop in the less popular market will have difficulties at start.

Arguments

I have chosen the top 3 choices made residents and a department store as possible shops to be opened.

-Restaurant

-Advantages

- Most popular choice, this means there are already potential customers, cutting promotion cost.

- There is little competition; the market share can be easily gained.

- Most people's purpose is general shopping. People spend quite a long time shopping, they may become tired/hungry, and may want to find a place to rest and for some refreshments.

- Pedestrian flow is high around mid-day, and also because there is a tube stop in front of the shop, it may attract many people as they might want to eat before they shop.

-Disadvantages

- McDonalds may be a major threat. It has already gained most of the market share. A high percentage of young people visit the area, they may be more attracted to fast-food.

- Because the main purpose of consumers is shopping, they will not be prepared to spend large amount of money or time on food (No one visits for restaurants). A restaurant opened here will need to have a low profit margin and low price. This means the restaurant may not have much profit. This means something like a simple café. Not spending a long time on food means not much space is needed. This will cause some of the space to be wasted and adding costs.

-Clothes

-Advantages

- External economies of scale due to complementary shops. People who want to shop for clothes will come to this area, and because there is a tube stop in front, there is a high chance many people visit the shop. Less promotion price.

- High threshold population will support up -market goods.

- The shop can sell branded products at even higher prices, so more profit can be made.

- Able to utilize the whole building, selling a range of goods, targeting a variety of market segments.

- A large shop would be able to benefit from internal economies of scale, eg.g discount for buying in bulk.

- Style of clothes can easily be changed to suit the fashion and consumer needs.

This is important because this is always changing, shops neet to react to the change fast to survive. They may lose customers.

- Tourists are prepared to spend a large amount of money to buy clothes.
- Clothes can be easily transported, this is an advantage to consumers who travel by public transport.

-Disadvantages

- Huge amount of competition. It may be difficult to establish itself. It may need to have competition based pricing, leading to loses in the first few months, until it gains enough consumers. Competition also means less customer loyalty, they may be easily attracted to other shops. The clothes provided must be unique.
- Difficult to obtain Capital via loan to start. This is because the former shop, C&A, was a clothes shop; it made loses and was forced to close. This may've made an negative impression on banks.
- If the whole building sold clothes, it will be boring to consumers, they may be put off. Therefore a range of style is needed, but this may be difficult to manage, esp. of the fashion is always changing.
- A large shop will need a large amount of workers, adding costs.

-Entertainment (CD, Books, DVD)

-Advantages

- Little competition. This market is small in the area. There may be many market segments or niches that have not been exploited yet. May be easy to start because there isn't much this type of shops, and they would want to look for alternatives. A new shop will suit this need.
- The building will support a range of goods.
- CDs and videos attract young people, which is the majority of people visiting. the shop would not need to spend as much promotion as there are already potential customers.
- Products can be bought cheaply, because they are cheap to produce, but because can be sold at high prices (and people are prepared to spend), a large revenue could be made, covering high costs of workers, staff and rent price.
- Products can be easily transported.
- Entertainment goods do not change rapidly, old music, videos can still be sold.

-Disadvantages

- Because these products can be bought almost anywhere, the shop would not attract tourists, which could be an important source of consumers. especially if they are on holiday and are prepared to spend a lot of money on shopping.

-Department Store

    this will include all goods mentioned above plus electronics and leisure.

-Advantages

- The building provides enough shop floor space for a range of goods. It will allow the shop to target all market segments, serving all needs/wants of consumers.
- Relying on a range of goods reduces risk. When one product is not selling well, another product may be doing well.
- Suits the purpose of shopping. A wide range of goods mean people will be attracted to shop here, they may spend a longer time and therefore increase the chance of purchasing.
- External economies of scale. Promotion costs would be low, it can rely on shops nearby to attract consumers to the area.
- May be able to offer its own credit cards, which attract consumers.

-Disadvantages

- By selling a range of goods, this means each type will not be bought at large quantities. This mean the shop will not have a discount. This means less profit than focusing on one segment.
- By targeting all market segments, the shop will not be able to serve market niches, as specialized shops may do.
- Would be able to include chain stores or branded products to attract even more people.
- Competition from out-of-town shopping centers. Many people are attracted to these shops because they are easily accessible and goods are often cheaper than high streets.
- The shop will need to react quickly to changes in the market (e.g. fashion), and this may be difficult for big shops.

Recommendation

From the analysis and arguments, I found that a shop located at this site would require the following:

- High threshold population.
- Target at as much market segment/niches as possible.
- Benefit from economies of scale.
- High price/up-market goods that appeal to consumers. also need to be easily transportable. Large floor space.
- Popular with the public.
- Interesting place to shop: a variety of goods.

Therefore, I've decided that a department store would be most suitable. It will meet these requirements.

Solutions to Problems (refer to disadvantages of department store)

- In the first few months, the shop should concentrate on promotion. It needs to establish itself in the market to gain some customers (and market share). This may be done through advertising throughout the area's SoI. It should also have lower prices than its competitors. After this, it would have enough customers so that goods are sold quickly, enabling the shop to be confident to purchase in larger quantities and benefit from discount. The cost of avertising will be spread across a large number of units sold.

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