



Validation of expansion strategy for department store chain

Sample project

Roland Berger
Strategy Consultants



The client was looking for answers to their key questions regarding potential new store locations

CLIENT PROFILE

- German subsidiary of leading international department store chain from the upper market segment gathering mono-label stores of international luxury brands
- Currently with one store in Germany, the client's location is on a major business, culture and shopping venue in the town, attracting daily thousands of tourists and local customers

BACKGROUND

- The international retailer was considering to move its actual location within the initial town (City 1) and to expand geographically by opening an additional store in a second town (City 2)
- The client was reviewing strategic expansion options

PROJECT OBJECTIVES

- We were asked to support this process and analyze the different options
- We found answers to their key questions regarding potential new store locations

City 1

- How will the actual location develop over the next 4-5 years?
- Will the new development inside City 1 be an adequate substitution in terms of brand image and traffic quality and quantity?
- Will the new location attract luxury brands?

City 2

- Would City 2 be an appropriate new location?
- Which store location would fit better (Schönburg Str. or Spencer's?)
- Are EUR 40/m² an adequate rent on Schönburg Str.?
- What sales density can be expected in City 2 within a 4-5 year horizon?

A set of criteria helps to evaluate the attractiveness of a potential store opening in City 2

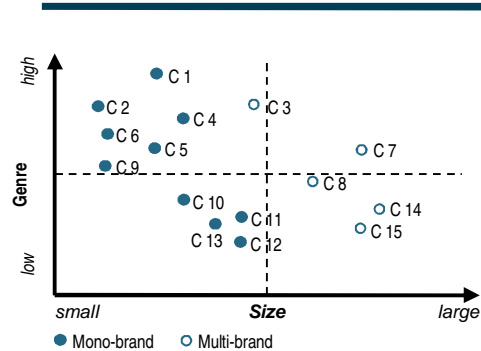
EVALUATION CRITERIA

- 1 City size, including catchment area
- 2 Spending power
- 3 Consumer preferences
- 4 Competitive environment
- 5 Availability of prime store locations

METHODS / TOOLS

- Data collection and analysis on potential store locations
- Expert interviews with real estate agents and developers
- Location evaluation based on qualitative tools & Benchmarking

COMPETITIVE LANDSCAPE



CONCLUSIONS

- City 2 is attracting affluent customers from the catchment area
- Purchasing power index, Centrality index and turnover index are higher in City 2 than the German average
- Currently, City 2 is lacking a large multi-label retail format in the upper market segment
- High density of luxury and premium mono-label stores; multi-label retailers in either smaller luxury formats or mass-market department stores
- A store overview map of Schönburg Str. has been created to identify new potential locations

Based on our strong network and deep industry experience we were able to deliver pragmatic solutions

City 1: changing location?

OUR RECOMMENDATION

From today's perspective, the actual location is not endangered

- **High international awareness** has been achieved for the current location – client is seen as an **anchor tenant**
- The street's location between important sightseeing venues and its history will always be **on the tour list of tourists**
- A large number of **business offices** generate significant traffic on week days
- The locals consider it as one of their **favorite shopping venues** – located in the centre, the store adds **convenience**

City 2: opening new store?

OUR RECOMMENDATION

We consider City 2 an attractive opportunity for opening a new store

- Highly **attractive environment** for premium fashion retailing – the **high purchasing power** in City 2 and a **large catchment area** provide a sufficient market size
- The city is gathering **upscale retail customers** from the whole county, including second biggest town in Germany
- While the city is a key destination for **luxury brands**, it lacks a premium multi-label retail concept
- **Two attractive locations** have been identified on Schönburg Str., one of the world's grand luxurious boulevards



IT'S CHARACTER
THAT
CREATES IMPACT

