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CAPITAL EFFICIENCY OF FACILITIES AND EQUIPMENT RETAIL CENTER

Work Group Discussion
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Store Size and Layout

Since space represents one of the major capital investments in the retail food industry it is imperative that the productivity of space be increased to as high a level as possible. One of the problems is the existence of excess capacity in food retailing which lowers space productivity. This is a difficult problem to deal with a free market economy but Japan has imposed size limits on retail food stores as one means for increasing space productivity.

One of the trends that seems to be emerging is the customization of store size and layout according to neighborhood demographics. Space productivity could quite conceivably be increased if retail food firms would develop prototype stores for each type of location rather than building mostly standardized stores with respect to size and layout in all locations.

Another area for investigation is the allocation of space within stores. We need more precise data concerning the optimum amount of space utilized for each major department in order to maximize the efficiency of capital investment.

The tradeoff between merchandising and operations also has implications for the productivity of space in food retailing. For example, if store designs and layouts are based primarily upon energy use considerations what will be the effects upon customer exposure and sales?

Equipment

Equipment represents another major capital investment in food retailing and the types of equipment utilized will have an effect upon capital efficiency. One particular problem area concerns frozen food display equipment which is relatively costly and also highly energy intensive. More research is needed to identify both the merchandising and operational advantages and disadvantages of the alternative types of frozen food display equipment.

Price Marking and Scanning

Scanning equipment will represent a major capital investment in the retail food industry. The potential payoff of this equipment will depend to some degree upon whether or not items must be individually price marked. More precise information concerning the payoff of scanning with and without individual price mark would provide a more objective basis upon which to make capital investment decisions as well as providing more objective cost-benefit information for consumer and legislative groups.

Another potential means for increasing the efficiency of capital investment is the use of representative stores in a chain for generating scanning information which can then be applied to operating and merchandising decisions in the entire chain. This would preclude the necessity for installing scanning equipment

in all stores for the purpose of generating scanning information.

Investment in Inventory

Since inventory represents one of the major capital investments in the retail food industry research directed towards improving inventory turnover has a potentially high payoff.