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### **EVALUATION OF THE COMPETITIVE EFFECTS OF LARGE RETAIL UNITS – The Kirkkonummi Prisma in an evaluation framework**

#### **Abstract**

The choice of location for a retail outlet and the competitive effects in society of a new large-scale retail unit involve the different parties engaged in trade operations: consumers, the retail industry and society. LTT Research Ltd has developed an evaluation framework for investigating these effects. The aim of this study is to test the functionality of the framework by means of a case study concerning the establishment of a new “Prisma” retail unit in Kirkkonummi and its competitive effects within the market area.

Grocery sales in Kirkkonummi – an urban centre located some 25 km from Helsinki – have shown a favourable development trend in the past few years, but sales in the rest of the market area, in Inkoo and Siuntio, have suffered correspondingly. Speciality shops in Kirkkonummi have particularly had problems, and a fifth of these shops have discontinued operations since 1995. The number of grocery shops has also decreased by 16 percent. Efforts to stop this negative trend have not been successful despite the growing attraction of Kirkkonummi. Even though supermarkets have increased the sales of products other than groceries, the service level in the area has been – and continues to be – clearly inadequate, particularly with respect to speciality shops. Neither does Prisma operate in the market area without competition, however, but instead, has to face the impact of the large supermarkets of nearby Espoo on price level and on product variety. From the consumer perspective, of course, this is a positive impact. For the consumer, Prisma represents an improved supply of groceries as well as other consumables in certain product groups. On the other hand, rapid changes in retail development affect the lives of consumers, as they have to learn new shopping routes and get used to the product assortments of new shops and their operating practices.

The study of the Kirkkonummi Prisma indicates the need for an evaluation method that would utilise the geographical information system currently being developed at the National Consumer Research Centre in order to carry out a thorough advance appraisal of the operating environment of a new large-scale retail unit. The study further shows the importance of expertise in interpreting the findings. It may be concluded that the evaluation framework achieves its purpose relatively well. By means of a thorough description of the operating environment based on the evaluation framework it is possible to achieve the transparency that is currently required of an evaluation.

Keywords

Trade, retailing, grocery retailing, competition, consumers, society

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