SUCCESS STORIES - SUMMARY

Project Name	Client	Brief Description	Key Analyses
	Apparel and lifestyle brand	▪ **Evaluated the cannibalization impact existing stores and also on the online channel of new due to opening of** a new retail location.	

STORE CANNIBALIZATION ANALYSIS FOR A U.S. BASED APPAREL BRAND

SITUATION

- Company is a **U.S. based apparel and lifestyle brand**, with ~100 stores across the U.S., along with e-commerce and catalog platforms

- Company needed to assess their focus and capital allocations on opening new Retail stores in comparison to increased spend on their online channel

- Merilytics determined the sales impact of a new retail location by **evaluating the cannibalization impact on existing stores and also on the online channel**

VALUE ADDITION

- Estimated the share of **cannibalized revenues in a new store from**

  - **Existing customers' purchases in new store:**

    o Customers with overall decline in YoY sales: all of the new store sales are assumed to be due to cannibalization

    o Customers with overall increase in YoY sales: Determined the overall incremental sales to be due to new store and the remainder of sales in the new store from these customers to be due to cannibalization

  - **New customers' purchases in new store:** Organic growth of new customer sales is estimated based on historical growth in sales from new customers in the area, and the remaining sales from new customers in the new store are assumed to be truly incremental sales

IMPACT

- Company had a better **understanding of the impact of cannibalization** and how it **varies by density of locations and radius** from existing stores

CANNIBALIZED REVENUE FROM VARIOUS SOURCES AND THEIR RESPECTIVE SHARE

Distribution of new store revenues by revenue type (cannibalized vs. incremental) during first 12 months of new store opening, %


43%

9%

33%

15%

9%

7%

2%

1%

Cannibalized Revenue
from existing customers
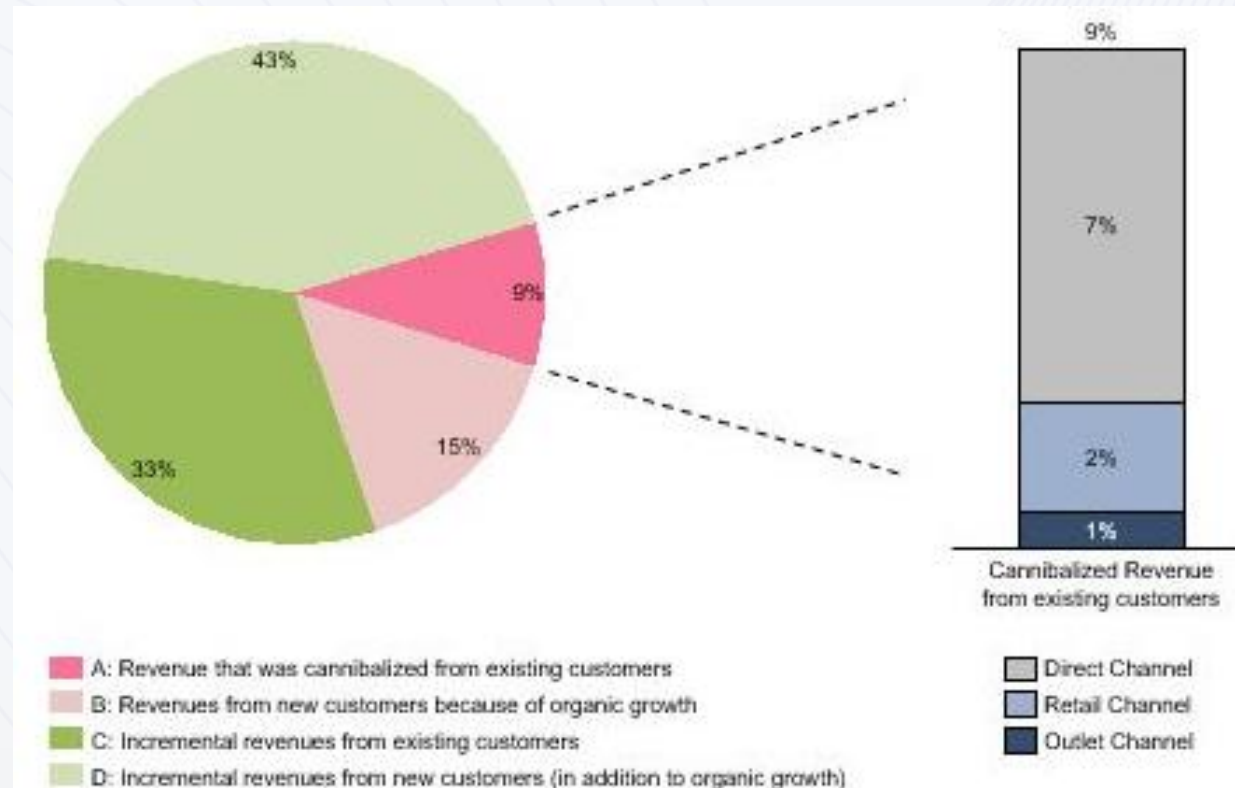
Majority of Cannibalized revenues from existing customers were being cannibalized from Internet sales

A: Revenue that was cannibalized from existing customers
B: Revenues from new customers because of organic growth
C: Incremental revenues from existing customers
D: Incremental revenues from new customers (in addition to organic growth)

Direct Channel
Retail Channel
Outlet Channel

CANNIBALIZED AND INCREMENTAL REVENUE BY STORE AND BY DISTANCE BETWEEN NEW AND EXISTING STORE

merilytics
AN ACCORDION COMPANY

Distribution of new store revenues by revenue type (cannibalized vs. incremental) and by store during first 12 months of new store opening, %
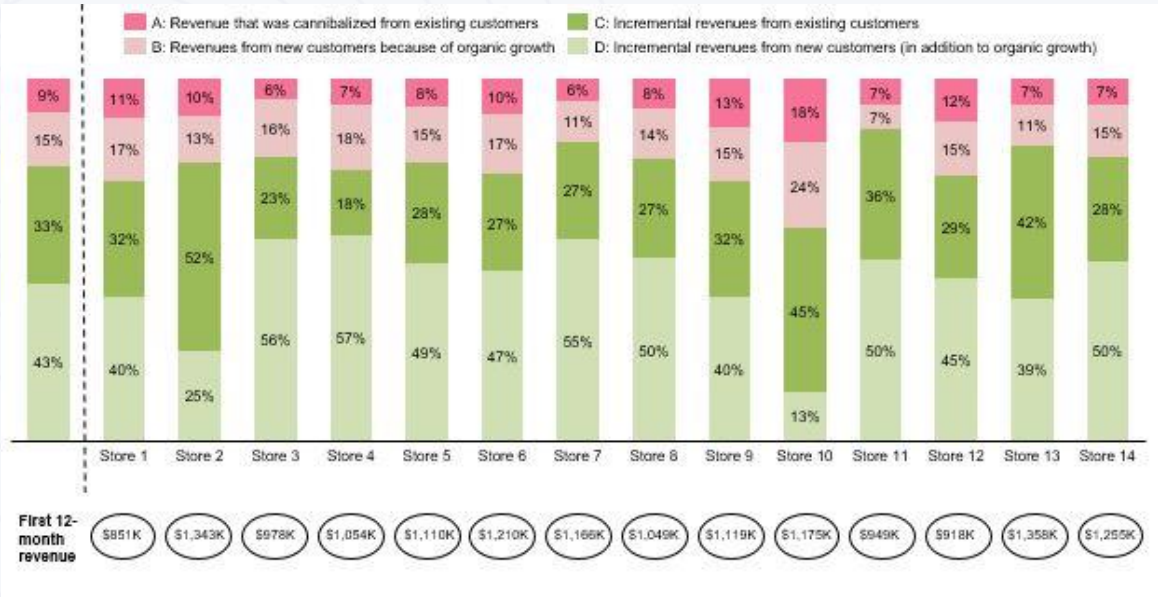
On average, around 20%-30% of total revenues at new stores were cannibalized from existing stores or Direct channel

Distribution of new store revenues by revenue type (cannibalized vs. incremental) and distance between new store and the nearest existing store, %
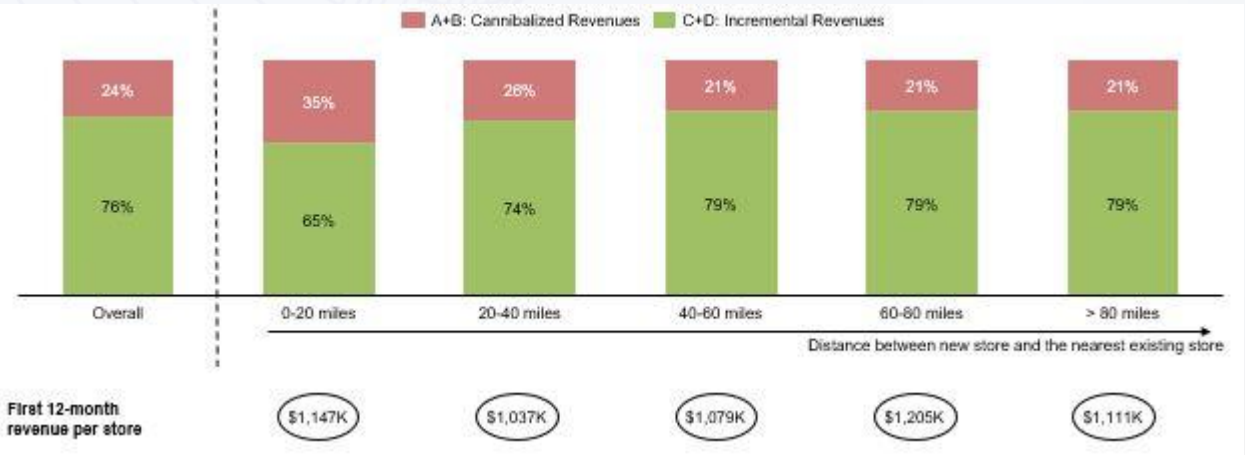
The share of cannibalized revenues decreased with increase in distance to the nearest existing store until 40 mile radius

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