



Impact of cannibalization from new location

Fitness chain

Built a comprehensive cannibalization model to determine the impact of opening new locations on existing location performance based on overlap in trade locations by market, driving distance etc.

Cannibalization analysis for a fitness chain

Situation

- Company was planning to expand its business by setting up a large number of new locations across the U.S.
- Company wanted to gauge the impact of cannibalization/network effect on the overall business, triggered by the opening of new locations
- Partnered with the company to build a comprehensive model to estimate cannibalization impact observed on the locations in the past when a new location was opened within the trade areas of existing locations

Accordion Value Add

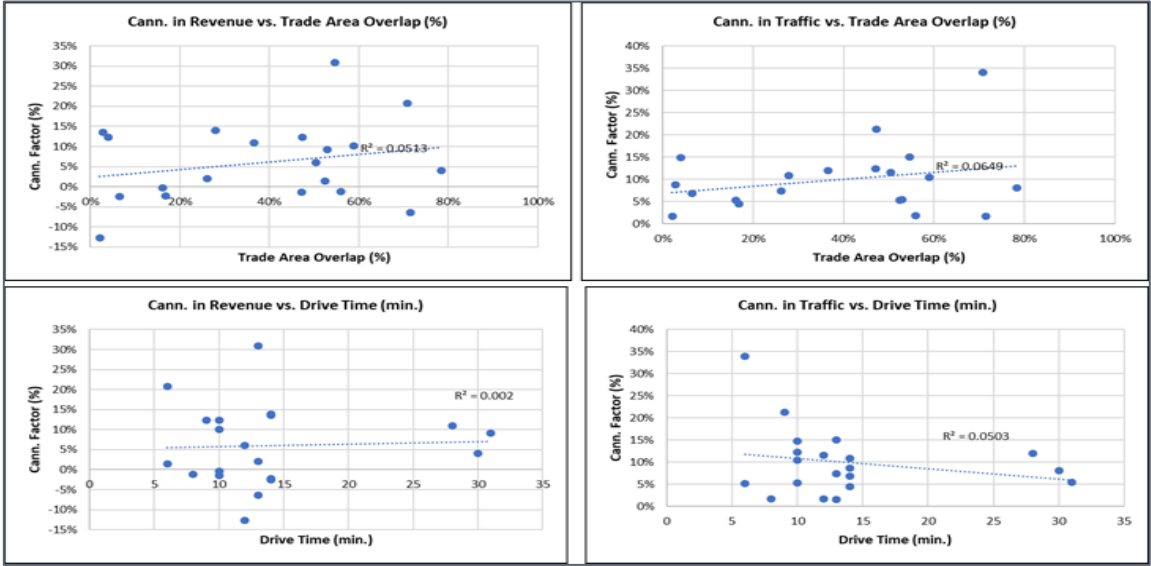
- The model used multiple statistical methods (linear regression, sample t-tests, etc.) on the historical data to track the impact of Cannibalization on revenue, traffic, # clients, etc. of the existing locations at various timeframes of 3-month, 6-month and 12-month post opening of the new location
- Cannibalization is estimated as the deviation in the actual performance of location from its expected performance, which is based on the performance of comparable studios
- Provided the flexibility to view the impact of cannibalization by market type, by trade area overlaps, by drive time between locations
- The model was helpful to gain a perspective on the market level saturation. Additionally, a detailed case study was carried out in one of the markets where the company has high number of locations, to understand network effect on the overall business

Impact

- Provided visibility into the timeframe it takes for the cannibalization impact to subside and for the location to regain its organic growth
- Identified markets with scope for opening new locations that helped the client to build strategy for upcoming locations

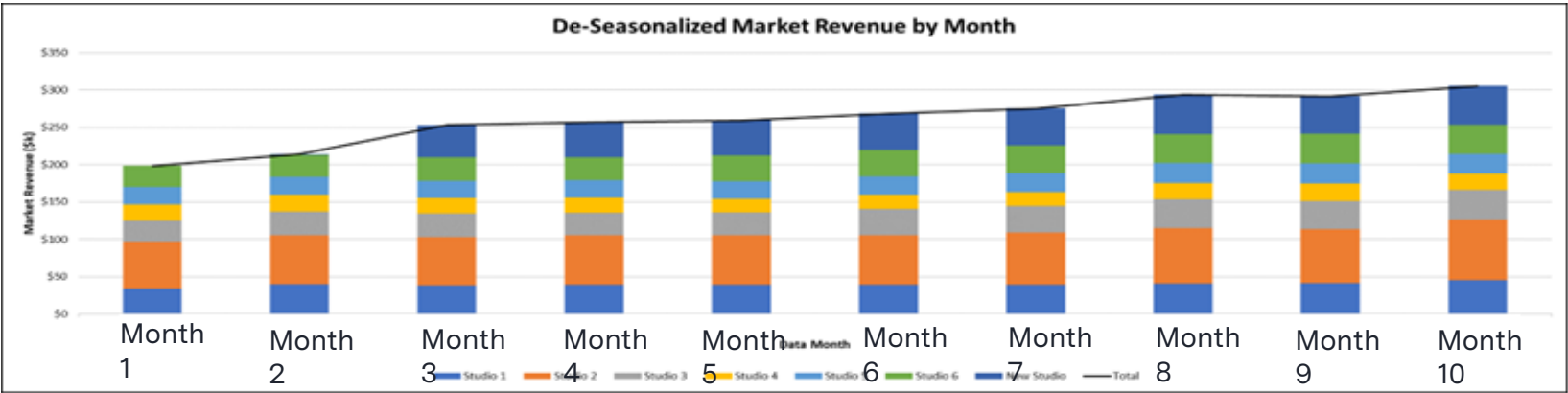
Outputs indicating cannibalization impact and market saturation

Illustrative plots indicating the impact of cannibalization on trade area overlap and driving distance radius



Plots depicting the cannibalization impact on Revenue, Traffic, etc. as a function of driving time between the locations and trade area overlaps

Illustrative plot indicating the market saturation level



Plots depicting trends in overall revenue and share of revenues from locations, post opening of a new location