Coursera: Applied Data Science Capstone

Capstone Project - The Battle of Neighborhoods (Week 1)

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1. Introduction

1.1 Background

In Germany, about 14 Million people are interested in equitation, 3.9 million classify themselves as “riders”, 1.25 million practice this sport intensely, 78% of them are women. 900,000 people own horses. So it is no surprise, that this hobby (or better call it passion) is also economically significant.
The turnover of the German horse industry is estimated at 6.7 billion euros. This includes 39% (€ 2.6bn) of expenditure on horse keeping, and 61% (€ 4.1bn) on retail and services. Retail is widely fragmented, with lots of individual enterprises, and a few chain stores. Within the last decade, these chains have expanded and this trend is still alive.

1.2 Problem

A retail company runs about 50 equestrian shops in different regions and is planning to expand its business. 3-5 new stores shall be opened within the next year and the expansion department already has identified possible locations. As opening a new store is a considerable investment and in addition, rental agreements are concluded on terms of at least 3 years, it is essential to perform an in-depth analysis of the respective locations and the specific conditions, and to predict the chances to have success at this new location, before a contract is signed and a store is opened.
This project is intended to perform a prediction of success based on specific market conditions of the surrounding area; especially customer situation, competition and additional surrounding factors will be analyzed.

1.3 Interest

Obviously, the management of the retail company is interested to make the right decisions on expansion strategy. Especially the managers in sales and marketing departments have to ensure success of new stores.

Of course, the companies’ shareholders also are interested in this decision. Based on currently 50 stores, the expansion plans mean increasing the company by up to 10%, which is a great opportunity, but in case of failure also a significant risk.