



Product Focus - The Trading Gap

Retail Pulse

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The Trading Gap is a tool developed by FSP to quantify the current realistic trading opportunity at any shopping location. It makes use of commonly available information, so is a practicable tool with very wide application.

The Trading Gap is also relevant and valuable to the leasing process. It is standard practice for retailers taking a new unit to provide the board with an investment justification. The calculation of the Trading Gap throws off much of the data required to support the turnover element of the investment appraisal.

The key to calculating a Trading Gap is to compare current performance at the location with relevant benchmarks. Selection of valid benchmarks is therefore a critical pre-condition. FSP, with its 35 years of experience and broad range of projects, is particularly well-placed to identify suitable comparable locations.

FSP has identified three kinds of opportunity within the overall Trading Gap. The Market Share Gap consists of the shortfall of purchasing by existing shoppers, relative to the relevant level of spending at benchmark locations. The Market Share Gap indicates that the shopping provision, either in quality or quantity, is meeting shopper requirements less well than the provision at benchmark locations. Since the Market Share Gap is quantified by merchandise category, the areas of relative weakness can be precisely identified.

The Shopper Gap identifies areas within the existing catchment where shopper penetration is lower than expected. Reasons for the under-performance can then be investigated and, if appropriate, remedied. Typical explanations for Shopper Gaps include the presence of a strong local competitor, or a resident profile markedly different from the rest of the catchment.

The third element in the Trading Gap is the Catchment Gap. This is the shortfall in shopper penetration relative to benchmark locations. Closing the Catchment Gap generally requires a substantial development of the shopping offer or a change of its market position. Of the three Trading Gap constituents, it is the most difficult and lengthy to realise.

In an increasingly competitive economic environment, all businesses need to focus their efforts more precisely. This is as true for shopping centres and retail parks as it is for retailers. The Trading Gap tool allows retail property owners and retailers to achieve this necessary focus.



**FSP RETAIL BUSINESS
CONSULTANTS**

20 Manor Court Yard
Hughenden Avenue
High Wycombe
UK, HP13 5RE

T +44(0)1494 474740
F +44(0)1494 474262
admin@fspretail.co.uk

www.fspretail.co.uk
www.snap-shop.co.uk