

# A survival guide for retail startups

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Nothing gets a new retail venture off the ground and likely to stay there more surely than effective inventory management and well-trained employees. That's the bottom line of new research conducted on almost 16,000 small, first-time retailers in Portugal.

Professors Pankaj C. Patel and John A. Pearce II of the Villanova School of Business and Maria João Guedes of the ISEG at the Universidade de Lisboa found that ventures that spent more per employee and managed faster inventory turnover were more likely to survive, in an environment where about half of new ventures fail. Their research focused strictly on new retail establishments over various, mostly consumer goods sectors, as opposed to technology and other startups that are more frequently studied. Their paper, "The Role of Service Operations Management in New Retail Venture Survival," is slated for publication in the June 2017 issue of the *Journal of Retailing*.

The analysis was based on data collected on retail ventures in Portugal that were founded between 2006 and 2010 and tracked until 2014. These operations had fewer than 250 employees, were not public at founding, and were not owned by a foreign entity.

The authors explain their results by reasoning that a store's success rides on focusing on inventory management and spending on staff because higher inventory turnover increases the efficiency of product flow in retail operations and spending more on training creates more capable employees. A retailer's chances of surviving increased by about 14 percent for increases in staff expenses per [employee](#) and by 5.2 percent

for a unit increase in sales to inventory.

In contrast, startups that plan to invest primarily in physical setting and décor and marketing promotions found this strategy less than effective. Such investing in intangible assets had a negligible, slightly negative effect on a [venture](#)'s survival. The authors attribute this effect in part to marketing's lengthy "gestation" period until any measurable payoff is realized.

These findings, the authors write, "provide new retail ventures with guidance on deploying their resources and informs policy makers on improving survival odds of new retail ventures, an organization form important to economic growth and vitality."

**More information:** Pankaj C. Patel et al, The Role of Service Operations Management in New Retail Venture Survival, *Journal of Retailing* (2017). [DOI: 10.1016/j.jretai.2017.03.001](https://doi.org/10.1016/j.jretai.2017.03.001)

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