

# Location Research

GfK Ukraine methodology presentation



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# 1 Location research definition

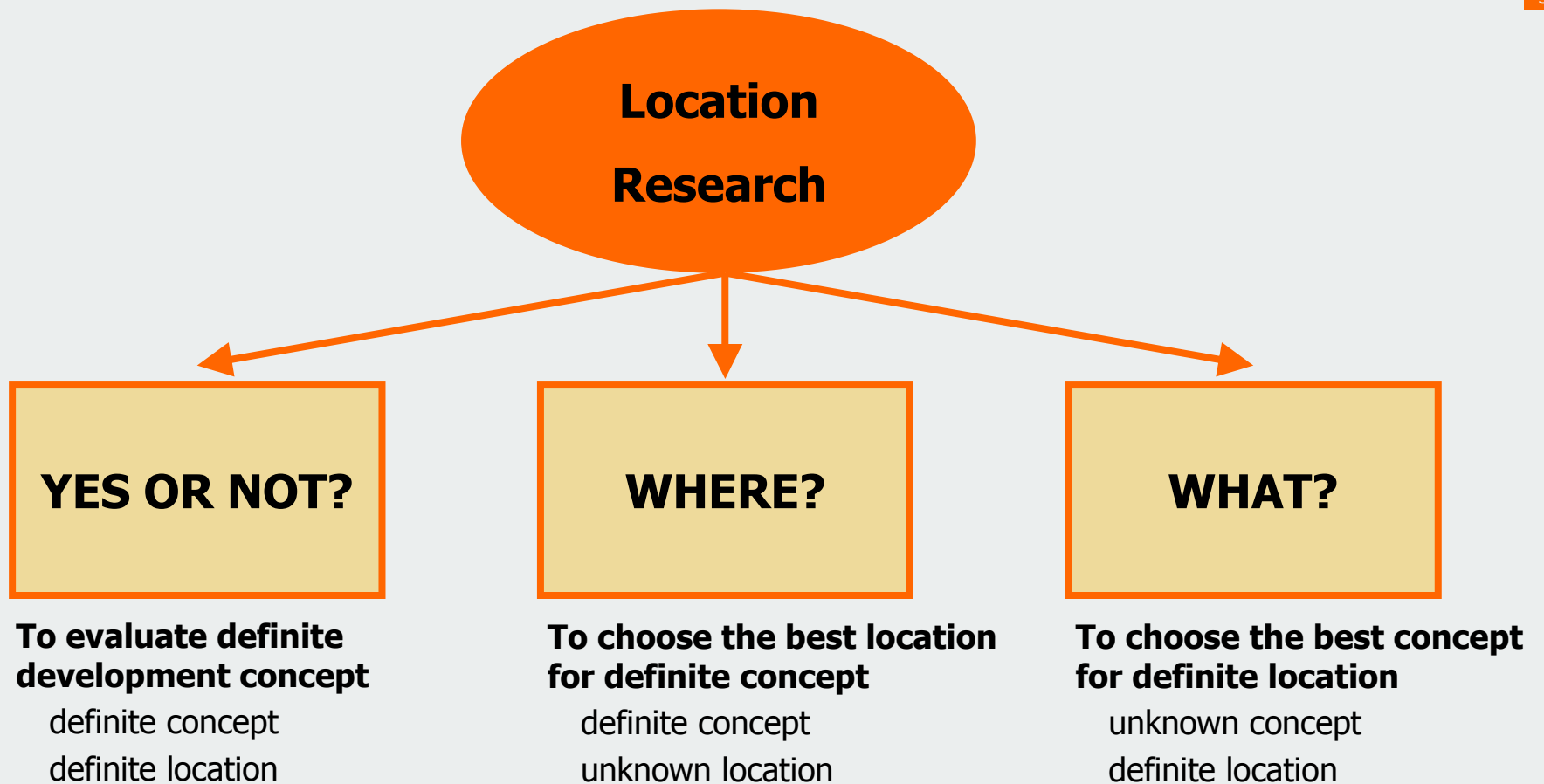
## What is location research?

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- ➔ **Part of real estate development process**
- ➔ **Important for crucial development and investment decisions**
- ➔ **Complex research with various data collection methods**
- ➔ **Demanding many data sources**
- ➔ **Complex (geographical) view on the researched area is necessary**
- ➔ **Mix of research and consultancy**

## Types of location research

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## 2 Objectives of location research

## Objectives of location research: «YES OR NOT?»

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- ➡ To analyze the **feasibility of a definite concept** on a definite location
- ➡ To analyze **competitive environment** for a definite concept
- ➡ *(when analyzing concepts of residential and/or retail real estate)* To analyze the **socio-demographic structure of the population** of catchment area (number of population, age structure, social level, income level, car penetration, needs, attitude to the concept, etc.)
- ➡ *(when analyzing concepts of office real estate)* To identify the **attitude of medium-size and large companies to moving to office premises** located on a specific land plot, acceptable rental rates, requirements to office building
- ➡ *(when analyzing concepts of warehouse real estate)* To identify the **attitude of medium-size and large companies to using warehouses** located on a specific land plot, acceptable rental rates, requirements to warehouse building
- ➡ To identify the **potential demand** for a definite concept
- ➡ **To analyze data and provide recommendations on the best implementation of the concept**

## Objectives of location research: «WHERE?»

- ➔ To **evaluate different location options** for a definite concept
- ➔ To identify **catchment area** for each land plot
- ➔ To **compare** locations by different parameters:
  - **historical significance** of an area;
  - **geographical conditions** (altitude differences, natural geographical obstacles such as lakes, abundant growth, etc., buildings, technical obstacles, etc.);
  - difficulty of **developing required infrastructure** (water, electricity, sewage system, etc.);
  - analysis of **transport infrastructure** surrounding the land plot (traffic flows on the roads surrounding the land plot, subway stations and terrestrial public transport, convenient drive-ins to the land plot, etc., passenger and pedestrian flows);
  - analysis of **competitive environment** of each of land plots;
  - *(when analyzing concepts of residential and/or retail real estate)* analysis of the socio-demographical structure of residents of catchment areas (number of population, age structure, social level, income levels, car penetration rate, attitudes to the concept, etc.);
  - *(when analyzing concepts of residential and/or retail real estate)* proximity of different attracting but not competing real estate objects (movie theaters, restaurants, stores, entertainment centers, etc.);
  - *(when analyzing concepts of residential and/or retail real estate)* proximity of recreation areas (beach, forest, park, etc.).
- ➔ To identify **potential demand** for a concept for each location
- ➔ **To analyze data and provide recommendations on the best location**

## Objectives of location research: «WHAT?»

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- ➔ To identify **catchment area** of the land plot
- ➔ To analyze **competitive environment** of a catchment area, to identify unmet demand for real estate of different types
- ➔ To identify and compare **potential demand for different concepts**, to identify the **optimal concept** («single» or «mix» of several concepts)
- ➔ To **evaluate the location** by different characteristics:
  - **historical significance** of a location;
  - **geographical conditions** (altitude differences, natural geographical obstacles such as lakes, abundant growth, etc., buildings, technical obstacles, etc.);
  - difficulty of **developing required infrastructure** (water, electricity, sewage system, etc.);
  - analysis of **transport infrastructure** around the land plot (traffic of the roads surrounding the land plot, subway stations and terrestrial public transport, convenient drive-ins to the land plot, passenger and pedestrian flows, etc.);
  - analysis of the **socio-demographical structure** of residents of catchment area (number of population, age structure, social level, income levels, car penetration, needs, etc.);
  - proximity zones of recreation (beach, forest, park, etc.).
- ➔ To provide a **detailed description of the concept** (optimal price level; for retail real estate — optimal format, for residential and office real estate — class, etc.)
- ➔ **To analyze data and provide recommendations on the best concept**

# 3 Methods and design of location research

Methods and design of location research  
«YES OR NOT?»

## Methods and design of location research: «YES OR NOT?» (1)

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### ➔ Collection of secondary data

This stage partially covers the following research objectives:

- ✓ *to analyze competitive environment for a definite concept;*
- ✓ *to analyze the socio-demographical structure of residents of catchment area (number of population, age structure, social level, income levels, car penetration rate, etc.);*
- ✓ *to identify the potential demand for a definite concept.*

During this stage, the following **sources of data** can be used:

- data from the Central Election Commission of Ukraine about electoral districts and their population;
- data from Ukrposhta (postal operator) about zones of servicing postal offices and number of apartments in them;
- data from the GfK Ukraine TAM Panel establishment survey (over the period of 2003-2007 — 10,000 interviews per year with households in 50K+ cities, starting from 2008 — 12,000 interviews for the whole Ukraine) with socio-demographical data;
- data from open sources (internet, press, etc.)

### ➔ The census of trade, entertainment and industrial real estate

This stage covers the following research objectives:

- ✓ *analysis of competitive environment for the development with a set concept.*

This stage involves a **total census** of the catchment area with the count of all **retail, entertainment and industrial real estate**, as well as its research-specific parameters (e.g., provided types of goods and services, class, price level, rental rates, etc.)

## Methods and design of location research: «YES OR NOT?» (2)

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### ➔ **Population survey of the catchment area, as well as survey of residents of the remaining part of the city, and/or visitors if location is in the central/business district** (under the concept of residential and/or retail real estate)

This stage partially covers the following research objectives:

- ✓ *to analyze the socio-demographical structure of residents/visitors of the catchment area (number of population, age structure, social level, income levels, car penetration rate, needs, attitude to the concept, etc.);*
- ✓ *to identify potential demand for a definite concept.*

Sample design, survey method, questionnaire structure are to be developed by GfK Ukraine based on specific research objectives and to be agreed with the Client.

#### **Possible methods:**

- face-to-face interviews at respondent's home;
- computer assisted telephone interviews (CATI);
- face-to-face interviews on the street (street interception).

## Methods and design of location research: «YES OR NOT?» (3)

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### ➔ **Survey of medium-size and large companies of the city** (under the concept of office or warehouse real estate)

This stage covers the following research objectives:

- ✓ *to identify the attitude of medium-size and large companies to moving to office premises, located in a specific location, acceptable rental rates, requirements to office building;*
- ✓ *to identify the attitude of medium-size and large companies to using warehouse real estate, located in a specific location, acceptable rental rates, requirements to warehouse building;*
- ✓ *to identify potential demand for an object with a definite concept.*

Sample design, survey method, questionnaire structure are to be developed by GfK Ukraine based on specific research objectives and to be agreed with the Client.

#### **Possible methods:**

- face-to-face or CATI interviews with enterprises randomly selected from the enterprise registry (EDRPOU).

Methods and design of location research  
«WHERE?»

## Methods and design of location research: «WHERE?»

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### ➔ **Physical inspection of land plots with evaluation of each parameter on a standardized scale.**

This stage covers the following research objectives:

- ✓ *to compare locations by different parameters.*

Parameters to be evaluated and a scale are to be developed by GfK Ukraine in accordance with the investigated concept and to be agreed with the Client.

### ➔ **Evaluation of transport and residential infrastructure of the land plot.**

This stage covers the following research objectives:

- ✓ *to identify a catchment area for each land plot;*
- ✓ *to identify potential demand for development a concept for each location.*

This stage analyzes the following: drive-ins to the land plot, car and public transport routes, car and people traffic, competitive environment and other specific conditions. Subsequently, several catchment areas of potential users of the definite concept are determined.

Methods and design of location research  
«WHAT?»

## Methods and design of location research: «WHAT?» (1)

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### ➔ Collection of secondary data

This stage partially covers the following research objectives:

- ✓ *analysis of competitive environment of the catchment area, identification of unmet demand for real estate of different types;*
- ✓ *evaluation of the socio-demographical structure of residents of the catchment area (number of population, age structure, social level, income levels, etc.).*

During this stage, the following **sources of data** can be used:

- data from the Central Election Commission of Ukraine about electoral districts and their population;
- data from Ukrposhta (postal operator) about zones of servicing postal offices and number of apartments in them;
- data from the GfK Ukraine TAM Panel establishment survey (over the period of 2003-2007 — 10,000 interviews per year with households in 50K+ cities, starting from 2008 — 12,000 interviews for the whole Ukraine) with socio-demographical data;
- data from open sources (internet, press, etc.).

### ➔ Census of retail, entertainment and industrial real estate

This stage partially covers the following research objectives:

- ✓ *analysis of competitive environment of the catchment area, identification of unmet demand for real estate of different types.*

This stage will involve a **total census** of the territory surrounding the land plot with the count of all **retail, entertainment and industrial real estate**, as well as their parameters that are important for specific research (e.g., provided goods and services, class, price level, rental rates, etc.)

## Methods and design of location research: «WHAT?» (3)

### ➔ **Population survey of the catchment area, as well as residents (or visitors if location is in the central/business area) of the remaining part of the city, survey of medium-size and large companies of the city**

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This stage covers the following research objectives:

- ✓ *analysis of the socio-demographical structure of residents/visitors of catchment area (number of population, age structure, social level, income levels, car penetration, needs, etc.);*
- ✓ *to identify and compare potential demand for different concepts, to identify the optimal concept («single» or «mix» of several concepts);*
- ✓ *to provide a detailed description of the concept (optimal price level; for retail real estate — optimal format, for residential and office real estate — class, etc.).*

Sample design, survey method, questionnaire structure are developed by GfK Ukraine based on specific research objectives and to be agreed with the Client.

#### **Possible methods:**

- face-to-face interviews at respondent's home;
- computer assisted telephone interviews (CATI);
- face-to-face interviews on the street (street interception);
- face-to-face or CATI interviews with enterprises randomly selected from the enterprise registry (EDRPOU).

## 4 Outputs of location research project

## Outputs of location research project

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Project outputs can be delivered via e-mail in **Ukrainian, Russian or English.**

**Project outputs** are as follows:

- **analytical report** in PowerPoint, which corresponds to research objectives (overview and analysis of collected data, recommendations);
- **survey datasets** in ASCII, DataViewer and/or SPSS;
- **crosstables** in Excel;
- **digital map (GIS)** with major data collected during research;
- other specific outputs if needed.

After finishing the project, **presentation of research results** can be made in Kyiv upon Client's request.

**5** GfK Ukraine relevant experience

## GfK Ukraine relevant experience (1)

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### ➔ 2008. Analysis of two locations for shopping and entertainment centers, Kyiv

**Research objectives** were:

- ✓ *to evaluate potential demand among Kyiv residents for shopping and entertainment centers built in Kyiv in two locations;*
- ✓ *to evaluate potential turnover of the shopping and entertainment centers;*
- ✓ *to determine the optimal format of each center, tenant mix, the optimal entertainment proportion.*

To achieve the research goals, following **methods** were used:

- quantitative representative survey of the Kyiv residents using CATI method;
- desk research;
- analysis of tenants in several major shopping centers;
- car flows analysis near locations.

For each location **Kyiv was divided into the 7 proximity zones** by which the data was analyzed.

## GfK Ukraine relevant experience (2)

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### ➔ 2008. Analysis of potential demand for convenience shopping center with DIY in the given location, Donetsk

**Objectives** of the research were as follows:

- ✓ *to evaluate potential demand for the shopping center with anchor hypermarket in the given location;*
- ✓ *to choose price positioning for the shopping center;*
- ✓ *to analyze competitive environment (shopping centers and food supermarket), to find market niches with unsatisfied demand;*
- ✓ *to forecast potential turnover of the shopping center.*

To achieve research goals, following **methods** were used:

- quantitative representative survey of the Donetsk and Makiivka residents using face-to-face method;
- desk research;
- analysis of tenants in several major shopping centers;
- car flows analysis near locations.

Donetsk and Makiivka were divided into **three catchment areas** by which the data was analyzed.

## GfK Ukraine relevant experience (3)

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### ➔ 2007. Evaluation of potential demand for shopping mall, Odesa

#### Research objectives were:

- ✓ *to evaluate potential demand among Odesa residents for shopping mall located in given part of the city;*
- ✓ *to determine the optimal format of the center, price level of tenants, best anchor tenants, the optimal entertainment proportion.*

To achieve the research goals, following methods were used:

- quantitative representative face-to-face survey of Odesa population;
- traffic flows calculation.

Odesa was divided into **two catchment zones** by which the data was analyzed. **Main questionnaire parts were** as follows:

- demography;
- evaluation of well-being;
- visits to the different stores;
- satisfaction with existing stores and shopping malls, readiness to change main store/shopping center;
- «ideal» shopping mall as perceived by respondents;
- car ownership, readiness to visit shopping mall located in given part of Odesa.

## GfK Ukraine relevant experience (4)

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### ➔ 2007. Analysis of potential demand for shopping center and residential complex, Kharkiv

The **main objective** of the research was analysis of different options of land plot development in the given location in Kharkiv. **Research objectives** were as follows:

- ✓ *to evaluate potential demand for shopping and entertainment center in the given location in Kharkiv;*
- ✓ *to evaluate potential number of visual contacts with shopping and entertainment center;*
- ✓ *to evaluate potential demand for residential complex built in the given location in Kharkiv.*

To achieve research goals, **quantitative face-to-face survey** was conducted. Each interview consisted of **2 parts**:

- 1) first part of the interview was with household head and concerned to current living conditions and household needs in terms of new apartment;
- 2) second part of the interview dealt with shopping behavior, needs and expectations in terms of different shopping activities. Respondent for the second part of interview was randomly selected household member.

## GfK Ukraine relevant experience (5)

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### ➔ 2007. Evaluation of potential demand for residential real estate, Lviv

**Main objectives** of the study were:

- ✓ *to evaluate effective demand for residential complex among Lviv dwellers;*
- ✓ *to compare potential demand for residential property in two different locations;*
- ✓ *to understand potential purchasers needs and expectations;*
- ✓ *to develop best concept for the residential building.*

To cover the research objectives, **quantitative representative telephone (CATI) survey** was conducted. We have conducted 400 interviews with households that have both need and financial ability to buy new apartment. **Main questionnaire parts** were as follows:

- demography;
- needs to purchase new apartment and financial ability to purchase it during foreseeable period of time;
- current living situation;
- needs and expectations in terms of new apartment;
- expected infrastructure near the building;
- evaluation of two locations.

## GfK Ukraine relevant experience (6)

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### ➔ 2006. Evaluation of development options for location, Kyiv

The research goal was to study development options for location in Kyiv. The **research objectives were** as follows:

- ✓ *to analyze feasibility of constructing shopping and entertainment center with gross area no less than 40.000 square meters;*
- ✓ *to define best tenant mix for shopping and entertainment center (price level of brands, price range etc.), share of entertainment;*
- ✓ *to analyze feasibility of constructing office and residential complex in addition to the shopping center;*
- ✓ *to evaluate attitudes of medium and large companies towards moving to offices situated in the given location, acceptable rent rates;*
- ✓ *to analyze feasibility of constructing residential complex — class and price level.*

In order to achieve the research objectives, the following **methods were used**:

- desk research;
- census of retail objects located in the catchment area;
- telephone survey of the Kyiv population with the boost for residents of the catchment area;
- telephone survey of medium-size and large companies with total annual turnover over 3 million UAH that consider moving or moved recently to the other office in Kyiv.

## GfK Ukraine relevant experience (7)

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### ➔ 2006. Evaluation of location for building a shopping mall, Kyiv

The research goal was

✓ *to evaluate the attractiveness of a location for building a shopping mall.*

Location attractiveness was evaluated by the following parameters:

- geographical position, possibility to build shopping and entertainment center with given characteristics, convenience of transport interchange;
- social development of the catchment area;
- socio-demographical characteristics of catchment area population;
- competitive environment (retail and entertainment) in the catchment area, level of competition;
- density of traffic flows around the location (by hours and days).

During the research following methods were used:

- desk research;
- GfK Ukraine data;
- traffic flows calculation.

**6** Location research team

## Project team

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Location research projects in GfK Ukraine are conducted by Services Research Department. Tetyana Yablonovska, Senior Researcher in Services Research Department, is responsible for carrying out such projects. Hlib Vyshlinsky, Head of Services Research Department, supervises location research projects.



**Tetyana Yablonovska,**  
**Senior Researcher, Services Research department:**

Tetyana has 4 years of experience in research. Since September 2008 she works at GfK Ukraine while earlier she was employed in International Center for Policy Studies and *Expert* Ukrainian business journal. Professional responsibility — retail research, location studies and regional surveys.



**Hlib Vyshlinsky,**  
**Head of Services Research department:**

Hlib Vyshlinsky has 11 years of experience in research and consultancy. He joined GfK in 2003 after five years with the International Centre for Policy Studies, an economic policy think tank and consultancy. In 1993-98 he worked for the different printed media as economic journalist and editor. Hlib is Head of Services Research department and Custom Research Director in GfK Ukraine

**7** GfK Ukraine short overview

## GfK Ukraine profile

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- ➔ GfK Ukraine is the member of GfK Group, the leading research group in the Eastern Europe in terms of revenues. GfK Ukraine is the largest market research company in Ukraine with yearly turnover of EUR 7 mln (2007).
- ➔ The company was founded in 1995, in 1998 it was purchased by GfK Group.
- ➔ There are over 120 specialists from different spheres working for GfK Ukraine full-time, including sociologists, psychologists, economists, and also specialists in marketing, statistics, programming, mathematics and ecology.
- ➔ Most of them were specially trained abroad (taking part in ESOMAR, GfK and other leading Western companies trainings).
- ➔ GfK Ukraine has a nation-wide network of interviewers (more than 900) supervised by regional representatives. Interviewers are routinely trained. All supervisors are specially instructed before the project on questionnaires, sample and survey procedures.
- ➔ GfK Ukraine has own studio for telephone interviews equipped with 52 computers.
- ➔ Each month we conduct approximately 20,000 F2F interviews, 10,000 telephone interviews (CATI) and 50 FGDs.

## Our major clients (1)

Deep knowledge of the local market and orientation toward the international standards makes an excellent combination, which is appreciated by actual and potential clients of GfK Ukraine in different fields of business.

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### Among our clients are:

#### ➔ Leading FMCG companies

AVK, BBH, Bunge, Chumak, Coca Cola, Colgate-Palmolive, Danone, Ferrero, Henkel, IDS, Khortytsa, Konti, Kraft Foods, Lactalis, Maiski Chai, McDonald's, Myagkov, Nasha Riaba, Nemiroff, Nutricia Ukraine, Procter & Gamble, Sandora, SUN InBev, Tarkett, Tekhnokom (Mivina) etc.

#### ➔ Pharmaceutical companies

Balkanpharma, Berlin Chemie, Boehringer Ingelheim, Europlant, Farmak, Ivax, Pfizer, Polpharma, Ratiopharm, Sanofi Aventis, Sanofi Pasteur, Shering Plough etc.

#### ➔ Automotive companies

AIS, Avtoland, Eurocar, Exxon Mobile, Honda, Nissan, Renault, Rosava, TNK, Winner Imports etc.

#### ➔ Financial services

BTA Bank, Delta Bank, Erste Bank Ukraine, Evrokredyt, Finance and Credit bank, First Ukrainian International Bank, Forum, Generali Garant, Home Credit Bank/PPF, Index-bank, ING Bank Ukraine, INGO Ukraine, Kredobank, Nadra Bank, OTP Bank Ukraine, Oshchadbank, ProCredit Bank Ukraine, Pryvatbank, Raiffeisen Bank Aval, Rodovid Bank, UBRP, Ukgazbank, Ukreximbank, UkrSubbank, UkrSotsbank, UniCredit Bank, Universalna insurance company, VTB etc.

#### ➔ Telecom, postal services and transportation

Aerosvit, Astelit, Golden Telecom, MTS Ukraine, Ukrainian Radiosystems, Ukrposhta, Ukrtelecom, Velton Telecom etc.



## Our major clients (2)

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### ➔ **Retail and real estate**

ABV-Tekhnika, ATB-Market, Auchan, Domotekhnika, DTZ, Fozzy, Germanos, Lux-optika, Megamax, METRO Cash & Carry, O'Key, Praktiker, Real etc.

### ➔ **Media**

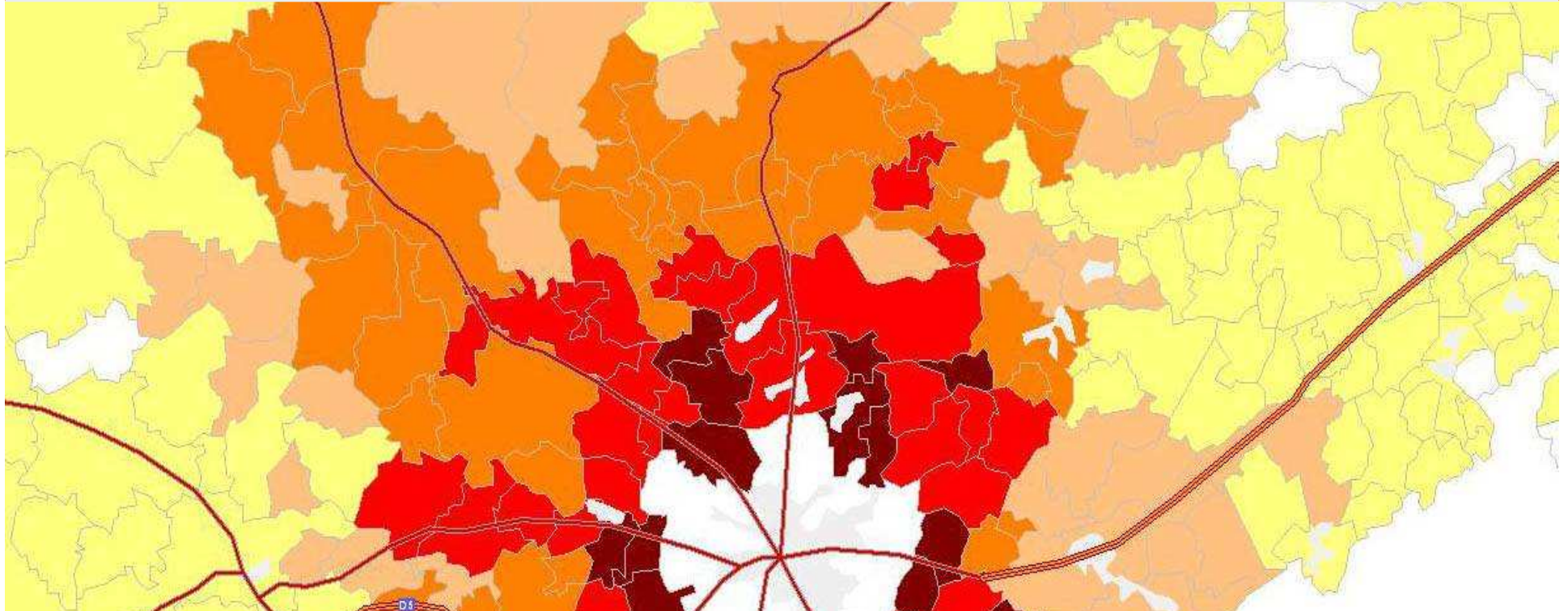
Blits-Inform, Ekonomika Publishing House, Galytski Kontrakty, Maksimum Publishing House, Media Invest Group, KP Media, Starlight Media, STB, WAZ etc.

### ➔ **B2B and durables**

AES-Kyivoblenergo, AES-Rivneoblenergo, BASF, Cisco, Interpipe, Lafarge Gips, Microsoft, Ruukki, Samsung, TNK-BP etc.

### ➔ **State, non-government, and international institutions**

Committee of Entrepreneurs of Lvivshchina, European Bank of Reconstruction and Development, International Finance Corporation, Internews, IOM, IRI, Ministry of Labor and Social Policy of Ukraine, National Bank of Ukraine, State Tax Administration of Ukraine, UNO, World Bank etc.



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