

The Impact of Store Closures on Neighboring Stores: The Location of the Closing Store Matters!

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Abstract

Store closures have become increasingly frequent in the current global economic downturn. Previous research on this topic has largely focused on the impact of store closures on stock market prices and overall firm performance. In contrast, we examine how the closure of Store A affects the sales performance of the nearest Store B (within a 16 km radius) within the same retail chain. Utilizing a unique dataset of 134 stores with 2,581 monthly observations from a major liquor chain in Asia (spanning from May 2017 to June 2022), we conduct both store-level and customer-level analyses through panel regression modeling. Our findings indicate that Store A's closure generally has a negative impact on the sales of nearby Store B. However, this effect reverses if the closing Store A is located in a residential area as opposed to a commercial area. These findings provide valuable empirical evidence of the existence of place attachment to retail spaces and suggest a potential shift from place attachment to brand attachment.

Key-words: Store closure, Proximity store, Store location, Panel regression

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