

CART ●

REPORT

Site Selection Playbook: Navigating a New Era for Brick & Mortar Retail

Discover how market-leading retail brands are using advanced analytics and location data to avoid million dollar real estate mistakes.





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01 Introduction

Brick and mortar retail has had its winners and losers. Supermarket operators, drug store chains, discount merchandisers, DIY stores, personal electronics stores, home goods retailers, and office supply stores have all prospered from the effects of this past year while others, notably in the apparel, hospitality and luxury categories, have been hit particularly hard.

Some brands have pivoted effectively, while others have struggled to navigate a changing retail landscape where consumer demands and habits have drastically shifted.

Many brick and mortar retailers adopted new customer servicing options including curbside pickup and the expansion of home delivery services, while those unable to leverage e-commerce tools have seen their sales decline by up to 89% [↗](#). Shopping malls across the US have seen old anchor tenants like Macy's and Sears pull out as the shift to





e-commerce has contributed to lower traffic at once hugely popular shopping destinations.

Retailers that did well during 2020 and H1 2021 need to ensure that they can increase their diluted margins once the demand for certain products returns. Therefore, all brick and mortar retailers during this year and beyond should place the necessary importance on an effective store network strategy to enable them to get back to, or increase, profitability. Such strategies include new customer servicing options as mentioned as well as the reformatting and relocation of existing space and the digitization of physical real estate.

In this report we look into how Advanced Analytics and Data Science techniques can be combined with new streams of location data to help retailers adapt, survive, and thrive.

02

Brands Looking to the Future

Back in the fall of 2019 Best Buy [↗](#) had begun to test curbside pickup at select stores with a view to rolling out the option over the next year. When the pandemic hit, the company's plans drastically accelerated and curbside pickup was available in almost all locations within a 48 hour period during March 2020.





This acceleration mirrors customer preferences that were evolving even before 2020. Witnessing an ever increasing level of mobile orders, Starbucks [☐➤](#) has been expanding convenience-led formats by opening 'Starbucks Pickup' stores in dense markets, including New York City, Chicago, Seattle, and San Francisco.

2020 was a tough year for brick-and-mortar retail in the U.S. with record numbers of store closures and bankruptcies including JCPenney [☐➤](#), Pier 1 [☐➤](#), and Lord & Taylor [☐➤](#). However, as the vaccine rollout progresses and foot traffic returns, analysts are more optimistic about retailers' operating profits in the coming months. **In fact, as of March 2021, U.S. retailers had plans for 3,344 new stores, a year-over-year increase of nearly 40%.** Nearly one third of these store openings are Dollar General [☐➤](#), reflecting consumers seeking increasing value.

Alongside these new store openings, prominent retail brands are also relocating and reformatting their existing properties. Macy's [☐➤](#), for example, is experimenting with a **scalable store format within strip-center locations offering, among other benefits, more convenient parking.** This move from traditional malls is also being implemented by Dillard's [☐➤](#) and Belk [☐➤](#). Many retailers, including Gap [☐➤](#), are also rethinking their hugely expensive flagship stores with '**destination**

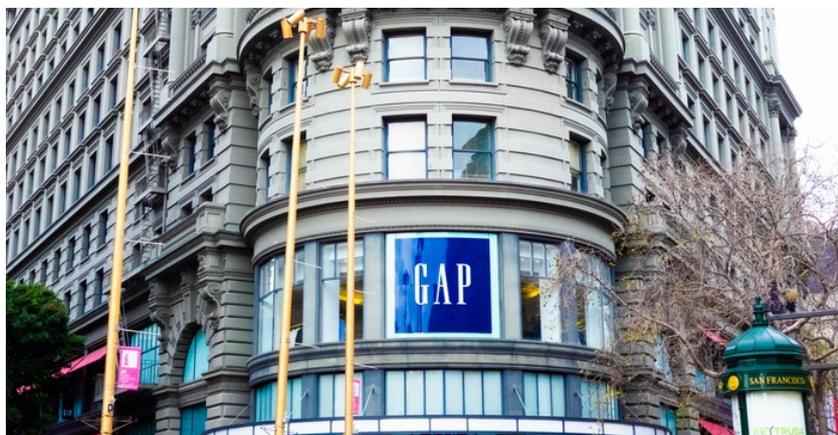
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retailing' less of a focus as consumers expect brands to come to them rather than vice versa.

As convenience stores continue to take a share of the overall food retail industry, retail giant 7-Eleven [↗](#) announced in May 2021 the successful completion of its acquisition of Speedway [↗](#). The \$21-billion deal was first announced in August 2020, and brings 7-Eleven's total North American portfolio to approximately 14,000 stores in 47 of the 50 most populated metro areas. Managing such an extensive brick and mortar footprint is no small task, and is an opportunity to integrate site selection best practices of both companies.

Another area of growth in retail is beauty with brands working together to take full advantage of their omni-channel strategy and presence. Announced in December 2020 was Sephora at Kohl's [↗](#) premium beauty destination set to open in 200 Kohl's stores. Signaling Sephora's [↗](#) confidence in the future of the brick-and-mortar shopping experience they also announced over 60 freestanding client-centric locations making the two initiatives the largest store expansion in the retailer's 21-year history in the U.S. As with Macy's, Sephora will be focused on growing its presence in off-mall locations with the **'in-store experience remaining a critical part of their shopper's journey'**.





With Deloitte projecting substantial US GDP growth [↗](#) in the second half of 2021 as vaccine deployment becomes widespread, retailers such as these must be ready to accurately pinpoint where this growth is most likely to take place and what steps they take to evolve their businesses.

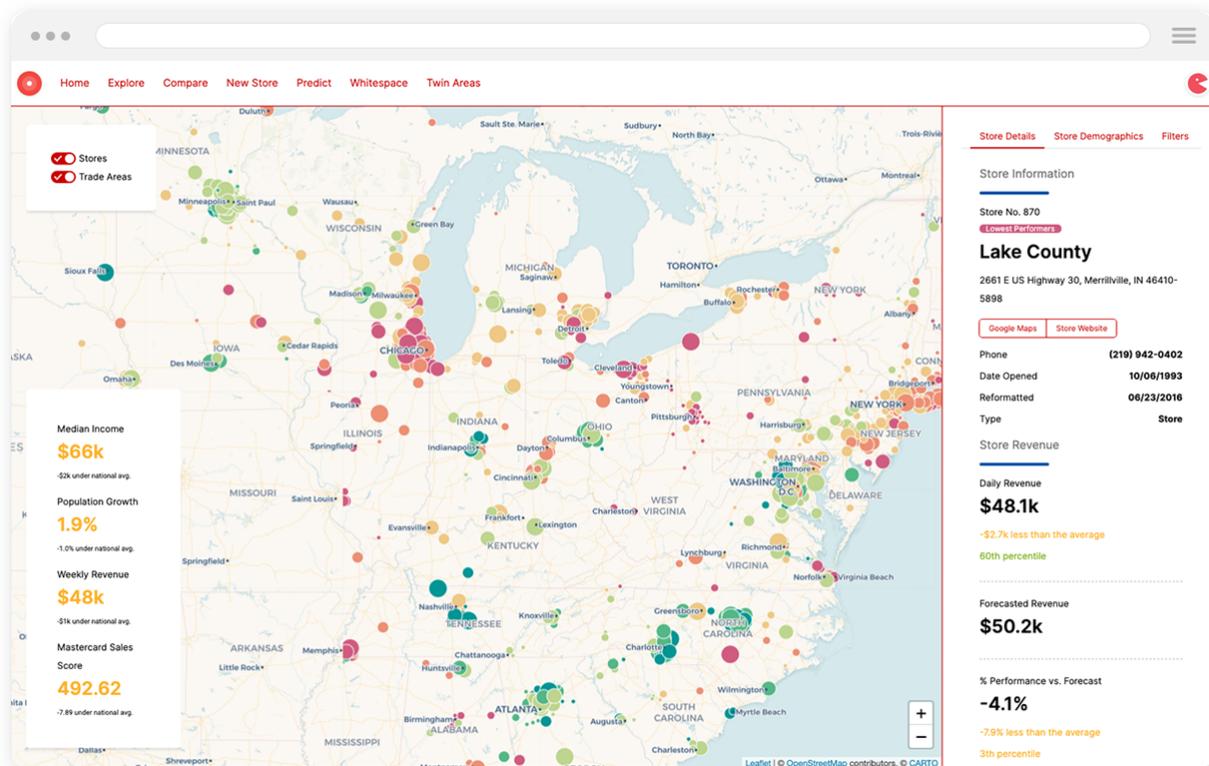
03

Leveraging Location Data

Retailers have been using traditional location data sets such as census data in their site selection strategies for many years. This may have served them well in the past but given the speed of change in consumer behavior, particularly within the last year, it is critical that more modern and frequently updated data streams are utilized.

Such data sets can include information on credit card spend, human mobility patterns, weather, road traffic patterns, and social media sentiment. In this section we will look at some examples of these types of data sources and how they can drive brick and mortar site selection decisions.

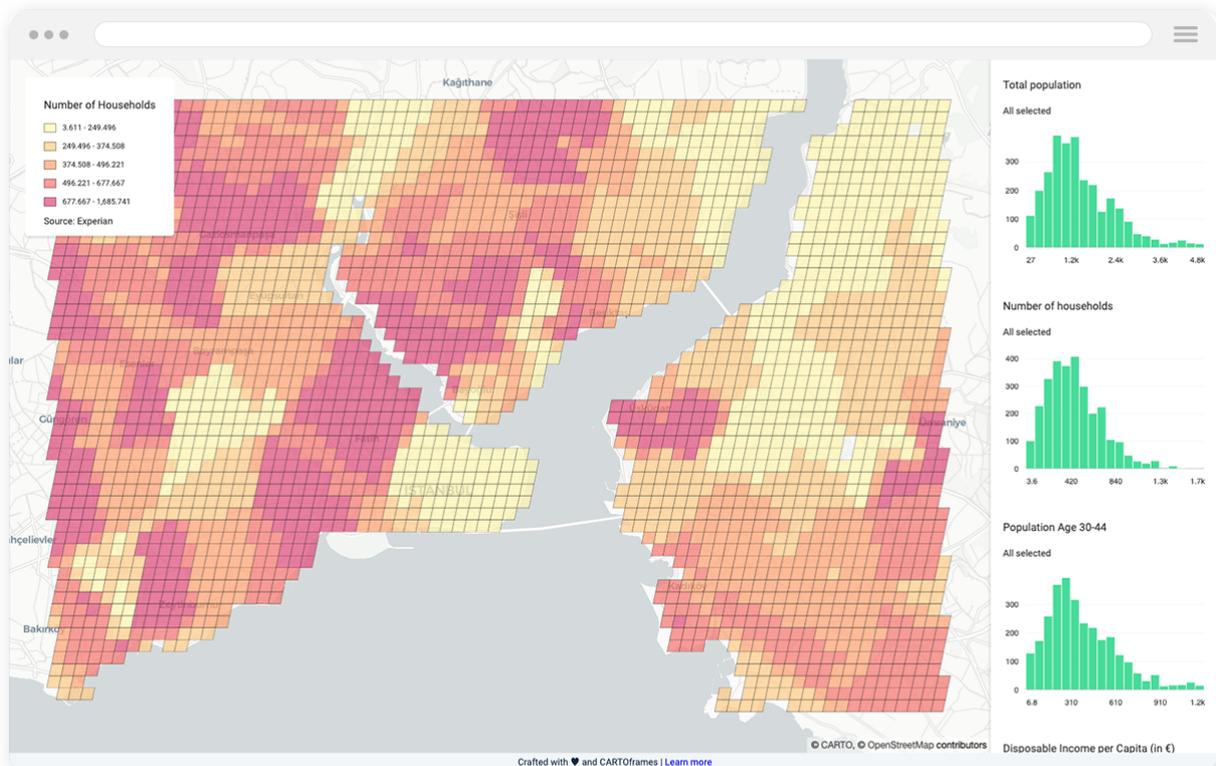
Demographics



Demographic data, relating to the statistical characteristics of human populations, has long been used within site selection analysis. Typically census data is used but since this is often out of date it cannot be relied upon to reflect short term trends and changes. Therefore high-quality demographic data that is up to date is a must for data-driven retailers who need to respond & make decisions in almost real-time.

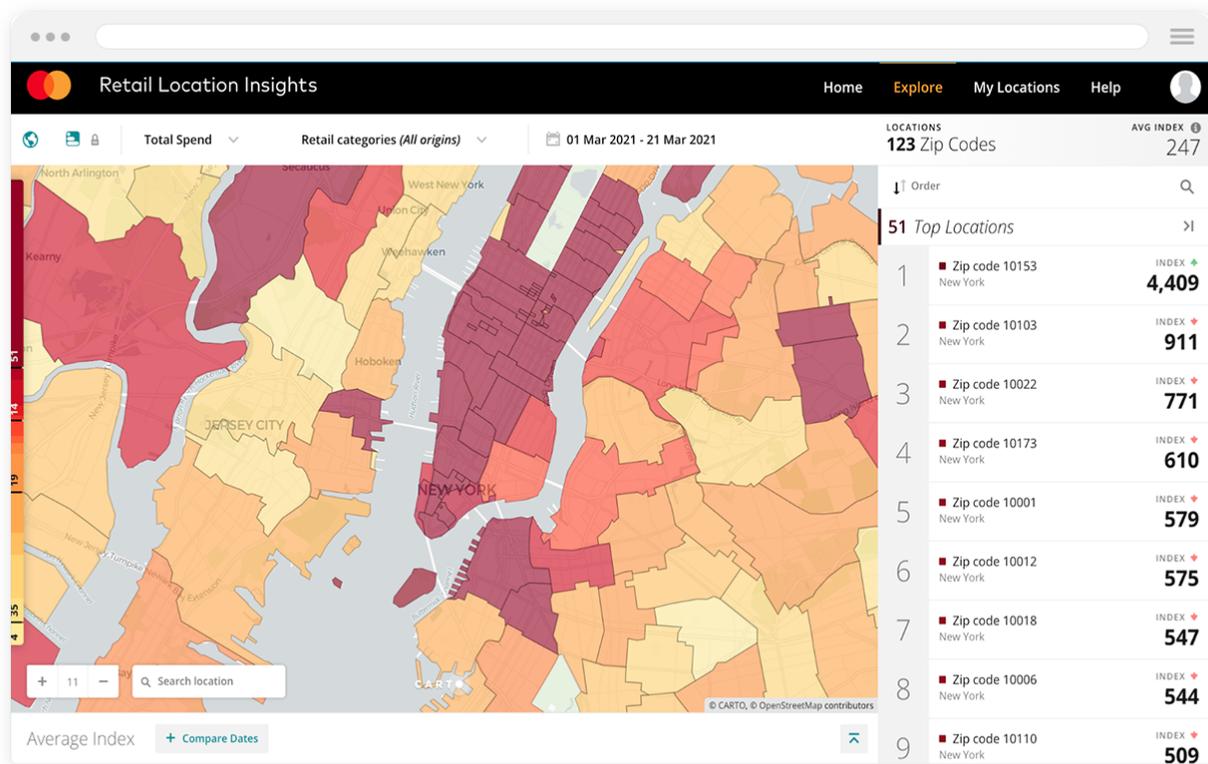
Spatial data can be used to identify where target segments may live and work, as well as the shifts that have occurred in the last few years. By looking at additional data overlays such as rental price data, and transport accessibility, retailers can pinpoint ideal

site locations based on the target audience profile of the product potentially being sold at the site. In the dashboard above a number of socio-demographic data points around an existing store network can be analyzed including the overall population, the density and growth, as well as average age.



Data providers such as Experian combine their own datasets with partner data to produce consistent sets of global demographic classifications. In the dashboard above which uses Experian's WorldView data [↗](#), measures available include population, population by age and gender, number of households, disposable income data, and levels of unemployment.

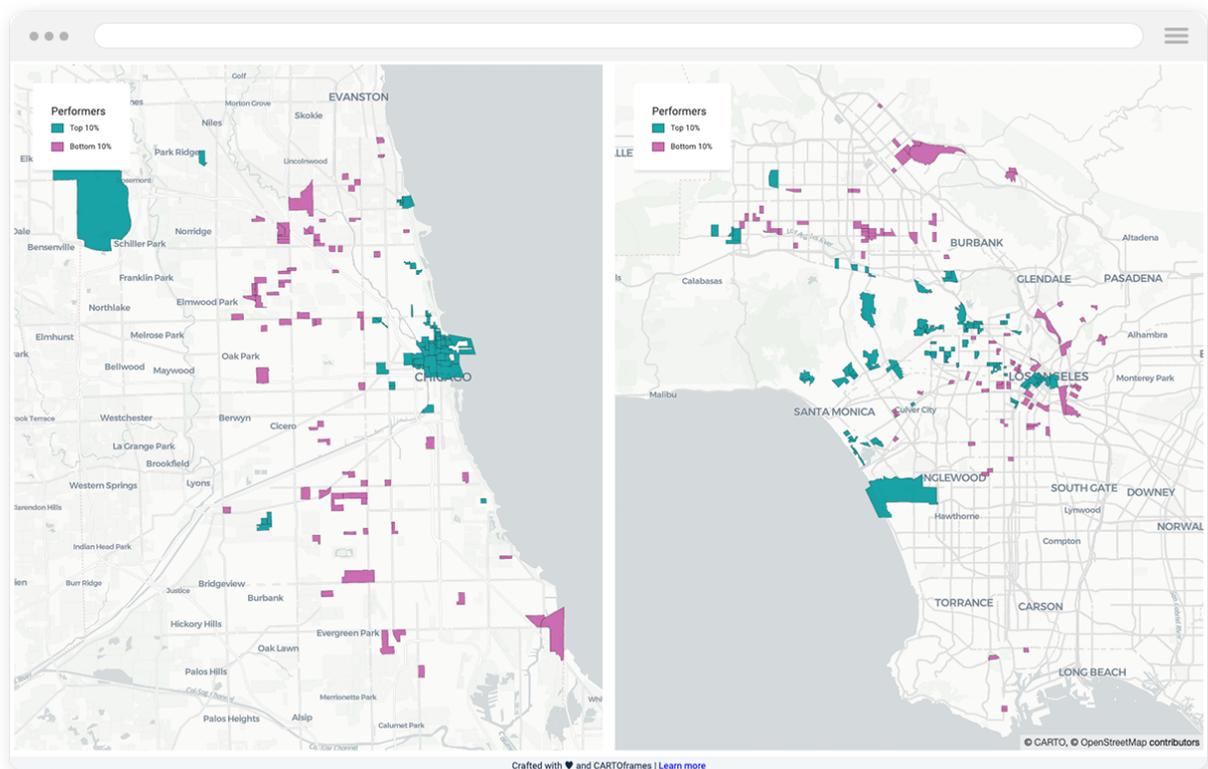
Credit Card Spend



With contactless payments accelerating due to the pandemic, credit card spend is an increasingly accurate snapshot of where consumers are spending their money. Trends can be rapidly identified by including credit card transaction insights alongside internal data on sales and performance. This then allows the selection of potential target sites for expansion or consolidation, by analyzing how economic trends and consumer spend will affect brick and mortar revenues.

Aggregated credit card transaction patterns are key for understanding consumer behaviors and how those evolve over time and space. Mastercard Retail Location Insights (shown above) provides highly granular metrics to measure

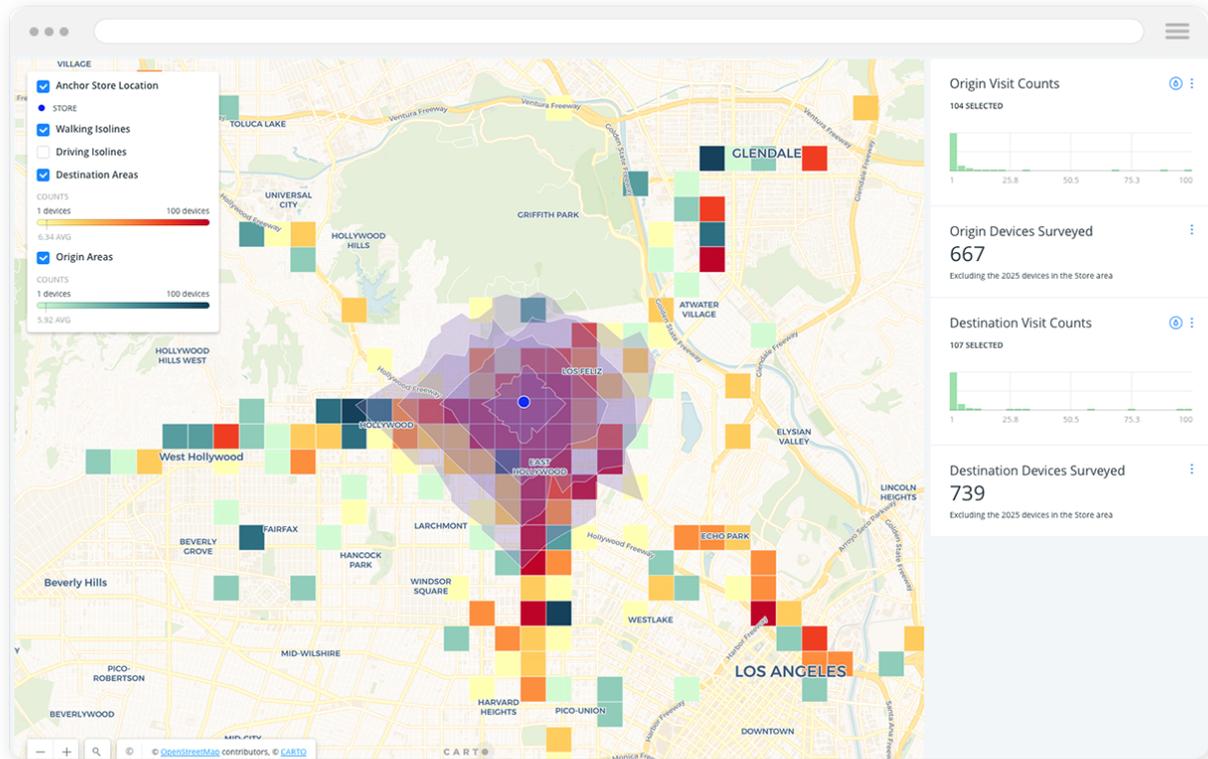
the evolution of consumer expenditure in a retail area, allowing for validation, evaluation and benchmarking of the sales-based dynamics of a location.



Data Source: Mastercard [↗](#)

In the dashboard above credit card spend data is used to discover the top locations for sales of a specific retail sector. In this example we can see that the top performers in Chicago concentrate mainly in the downtown area. However, in LA they are spread throughout the city. It is also interesting to see how in Chicago underperformers are far away from top performers, while in LA they mix in nearby areas.

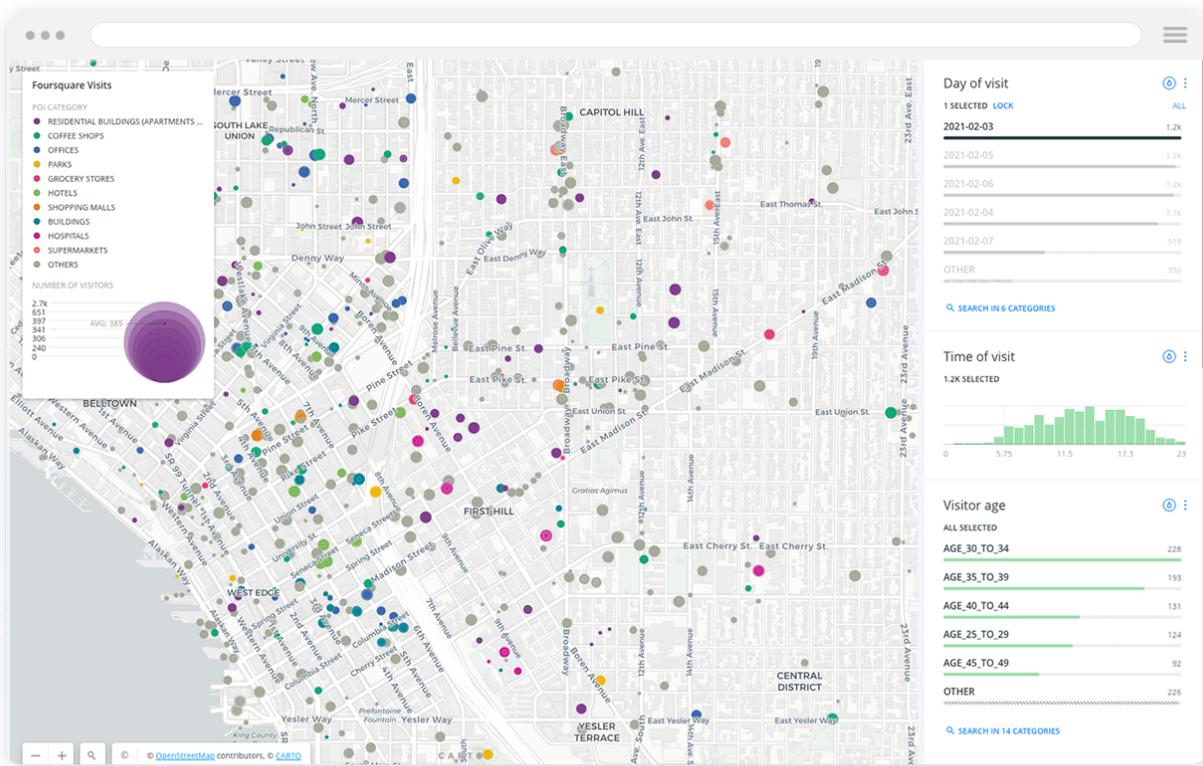
Human Mobility



Data Source: [Unacast](#)

Foot traffic data collection has come a long way from the days of mechanical counters, pressure mats, and infrared beams. Other traditional methods such as using POIs to estimate people movement & crowd dynamics are also no longer enough to provide accurate insights for site selection.

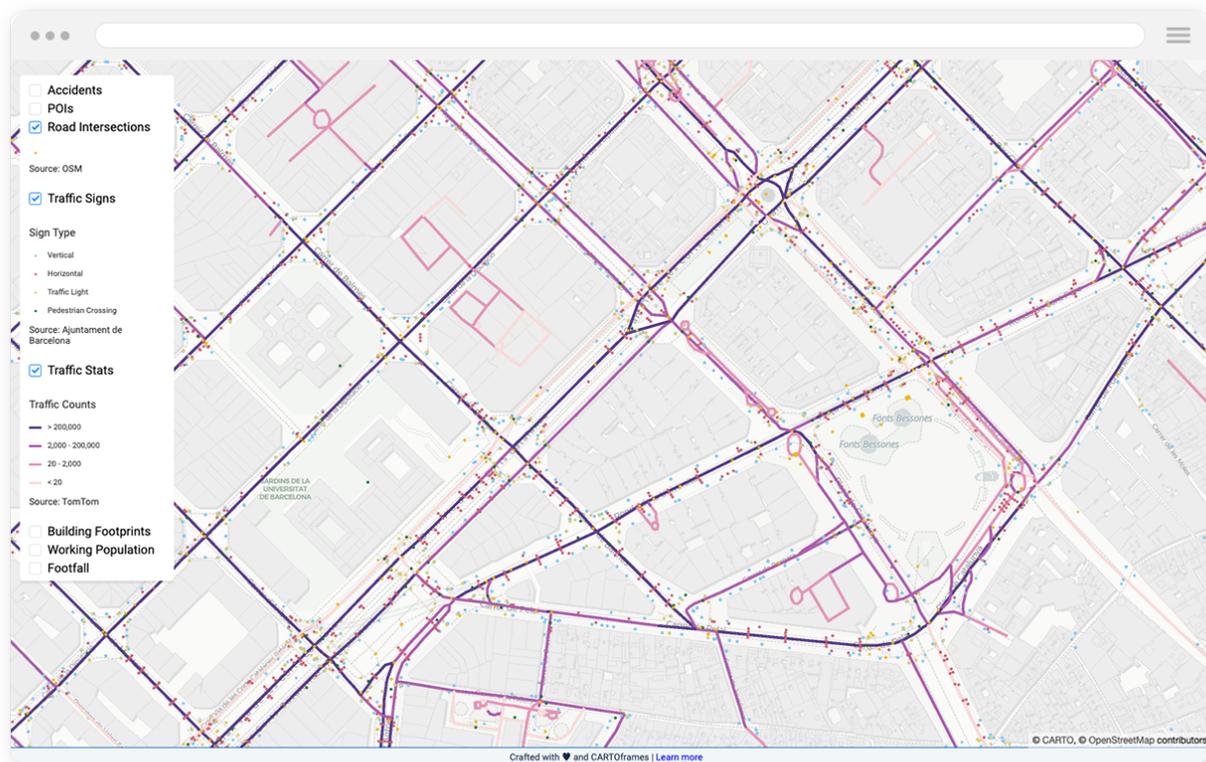
Today, retailers can leverage dynamic human mobility data to fully understand catchment areas to their locations. In the example above using [Unacast data](#), we can see an OD (origin destination) matrix around a specific location, enabling expansion planners to identify real opportunities for growth & consolidation.



Data Source: Foursquare [↗](#)

Foursquare Visits data [↗](#), visualized in the dashboard above, has a scaled, first-party user base with over 14 billion user-confirmed visits from both their owned and operated and partner apps, delivering a unique “phone’s eye view” of millions of places around the globe. Updated on a weekly basis the data can reveal insights into the visitors gender and age, the number of visits and dwell time. This can be cross referenced with Point of Interest data including venue, chain name, and category to give a comprehensive picture of human mobility in a given location.

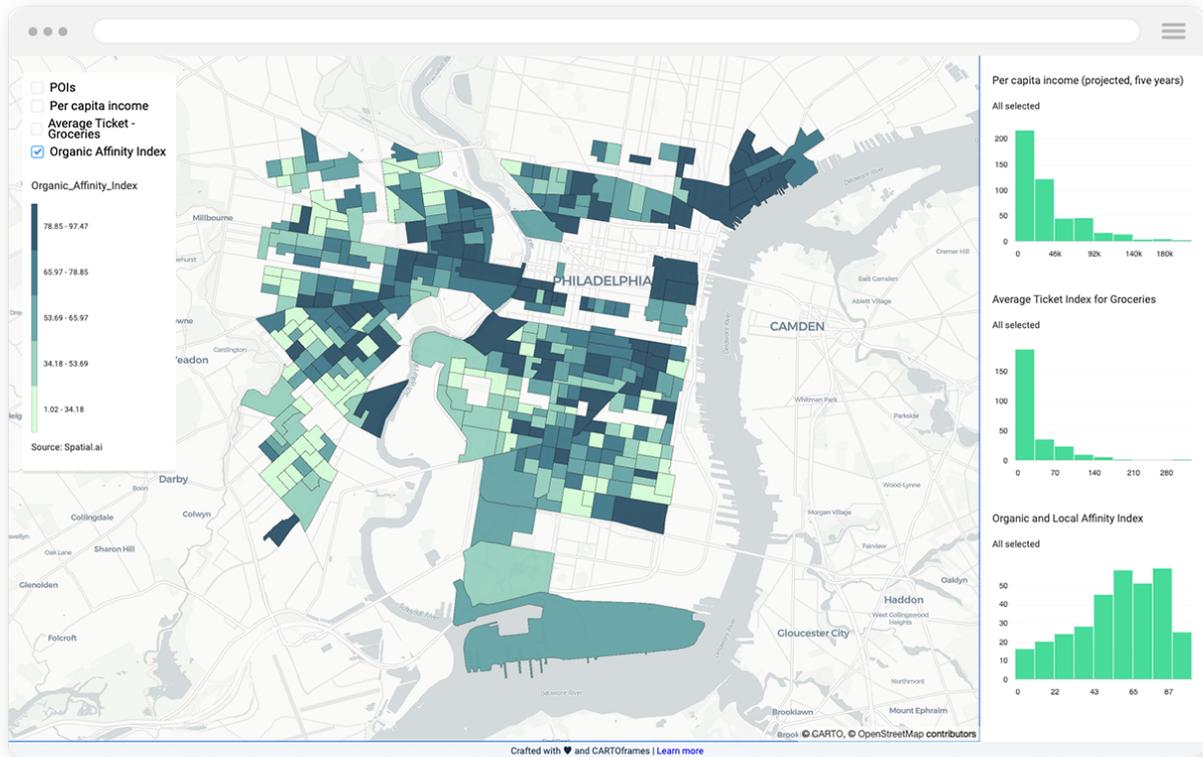
Road Traffic



Data Source: TomTom [↗](#)

With many cities increasing pedestrianized zones and consumers preferring curbside pickup options as well as out-of-town shopping experiences, road traffic data can provide retailers with an additional layer of insight on mobility patterns. The data can help identify easy to access traffic hotspots and determine the optimal location for new retail outlets. The dashboard above visualizes a combination of data from OpenStreetMaps and the Barcelona City Council supplied road intersections and traffic signs alongside traffic count data from TomTom [↗](#).

Behavioral Data



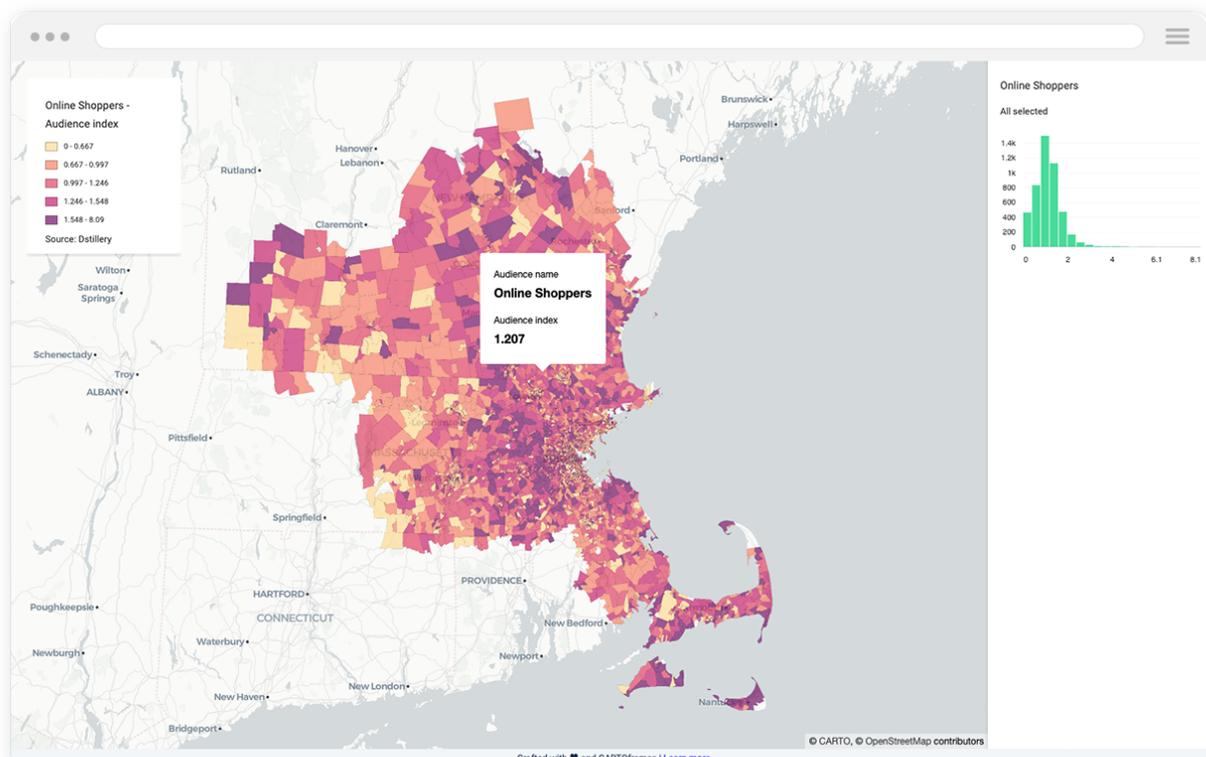
Data Source: [Spatial.ai](#)

Retailers can use geosocial, or behavioral data to look at the relationships between social media behaviors and sales, enabling them to optimize their brick and mortar footprint accordingly in each territory. Looking at different segments of geosocial data in relation to physical assets can provide key insights for expansion and consolidation. In the example dashboard above, data from [Spatial.ai](#) has been mapped to show the levels of affinity towards organic products. This can be enriched with other data such as per capita income and average ticket index for groceries in order to determine organic demand hotspots.

Likewise, home improvement stores such as Home Depot and Menards have witnessed significant surges in traffic

as confinement measures are relaxed. The amount of people undertaking home improvement projects has grown significantly, as more and more people are forced to work from home.

Research using geosocial segmentation data has shown that non-traditional, younger and more urban consumer segments have embraced home improvement projects, despite tending to rent rather than own their own home.

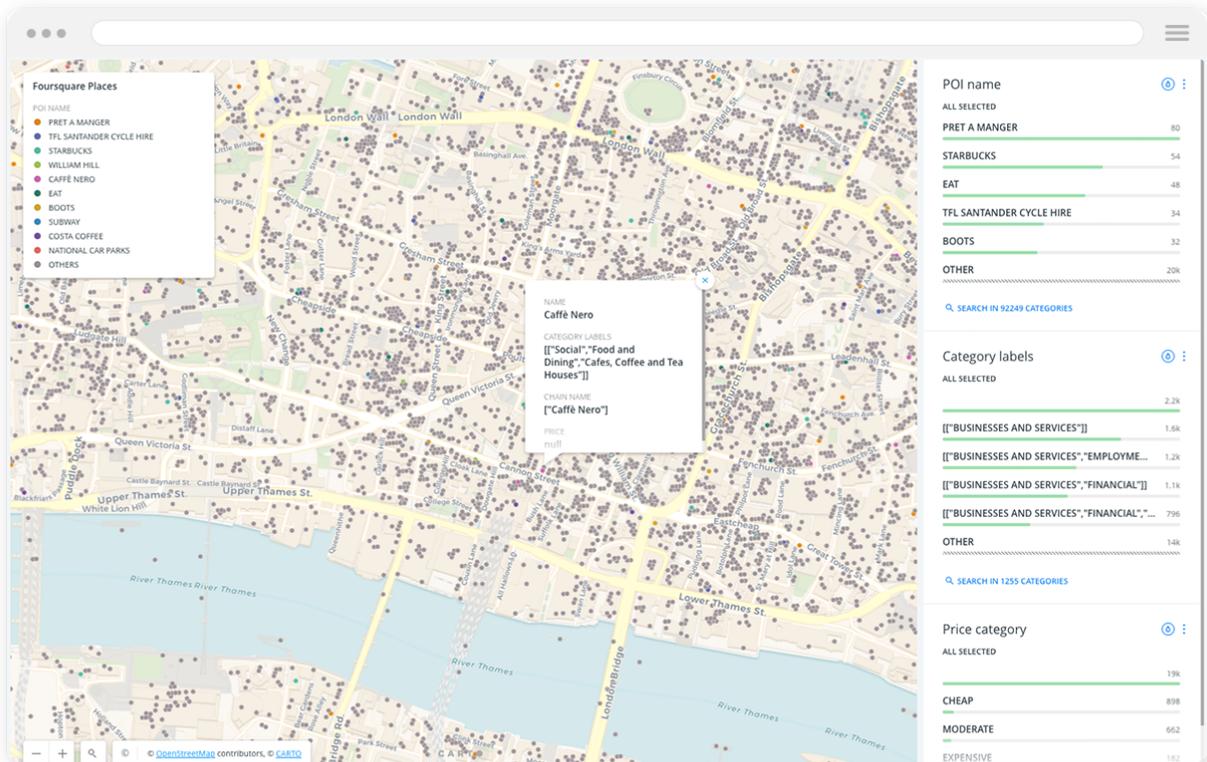


Data Source: [Dstillery](#)

Such data can unveil insights about a location that are impossible to see looking only at just socio-demographic attributes. Unique patterns and new consumer behaviors can be surfaced based on the differing interests within the same age demographic.

Custom digital based audiences can be brought into the physical world for geospatial analysis by integrating first party data sources (website, CRM, DMP, etc.). This allows retailers to use data not typically used in geospatial analysis and built for their specific needs and initiatives. An example of this can be seen in the dashboard above using behavioral and location audiences data from Dstillery [to understand where there is a greater propensity to shop online, before and after 2020.](#)

Points of Interest



Data Source: [Foursquare](#)

Points of Interest data is one of the most commonly used spatial data sources. A retailer’s internal data on sales and performance can be combined with this POI data

allowing them to identify potential targets for expansion or consolidation by seeing where other competing stores are located. POI data can help identify where certain target segments may also visit, reducing the risk associated with poor site decisions.

The dashboard above shows Foursquare's global POI data, known as Foursquare Places [↗](#), and is based on over 46,000 sources, validated by millions of consumers.

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Incorporating Advanced Spatial Analysis

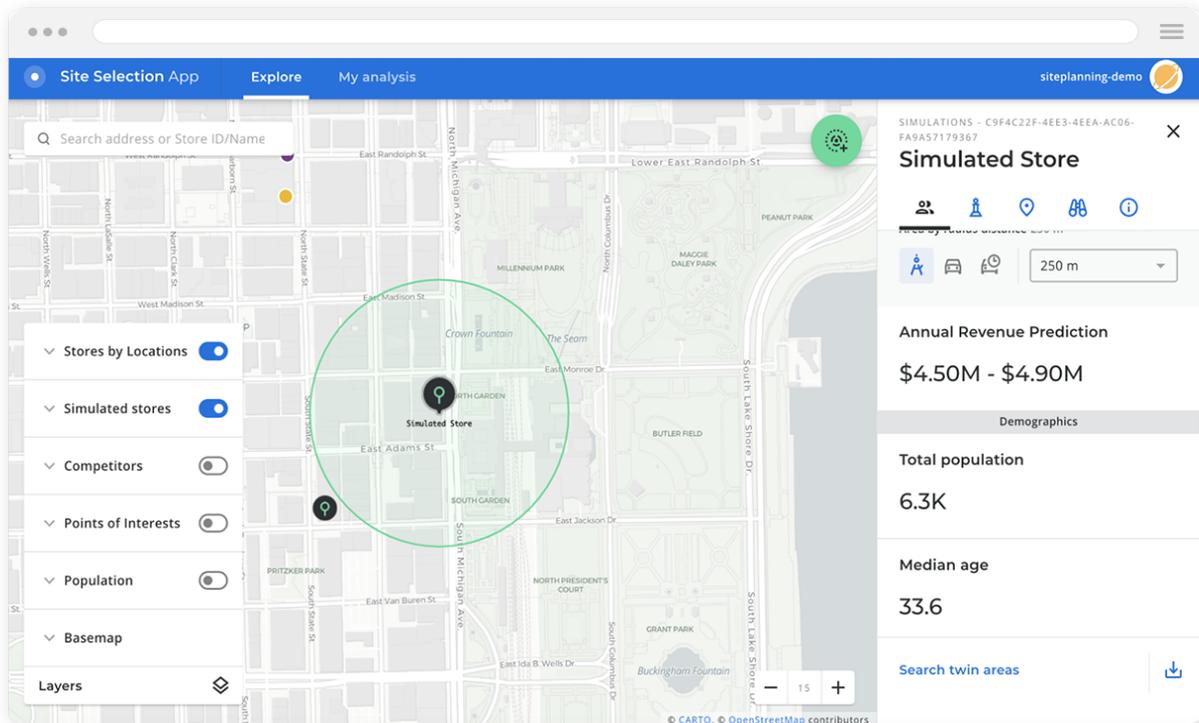
Changing consumer behaviors have forced retailers to rethink their strategy for selecting new sites by adopting a more data-driven approach. Simply put, retailers are building a more informed strategy for their estate by incorporating Location Intelligence techniques and tools to make better decisions relating to site suitability, catchment audience, accessibility, and revenue potential.

Access to curated datasets

As we have seen in the previous chapter, there is a wealth of relevant spatial data on hand to help understand the retail network in terms of the current catchment profile or to identify new areas for possible expansion. **Available datasets have applications for almost any retail use case, are fully curated and have been standardised in format, simplifying the often time-consuming data preparation and ingestion steps.**

Off-the-shelf Solutions

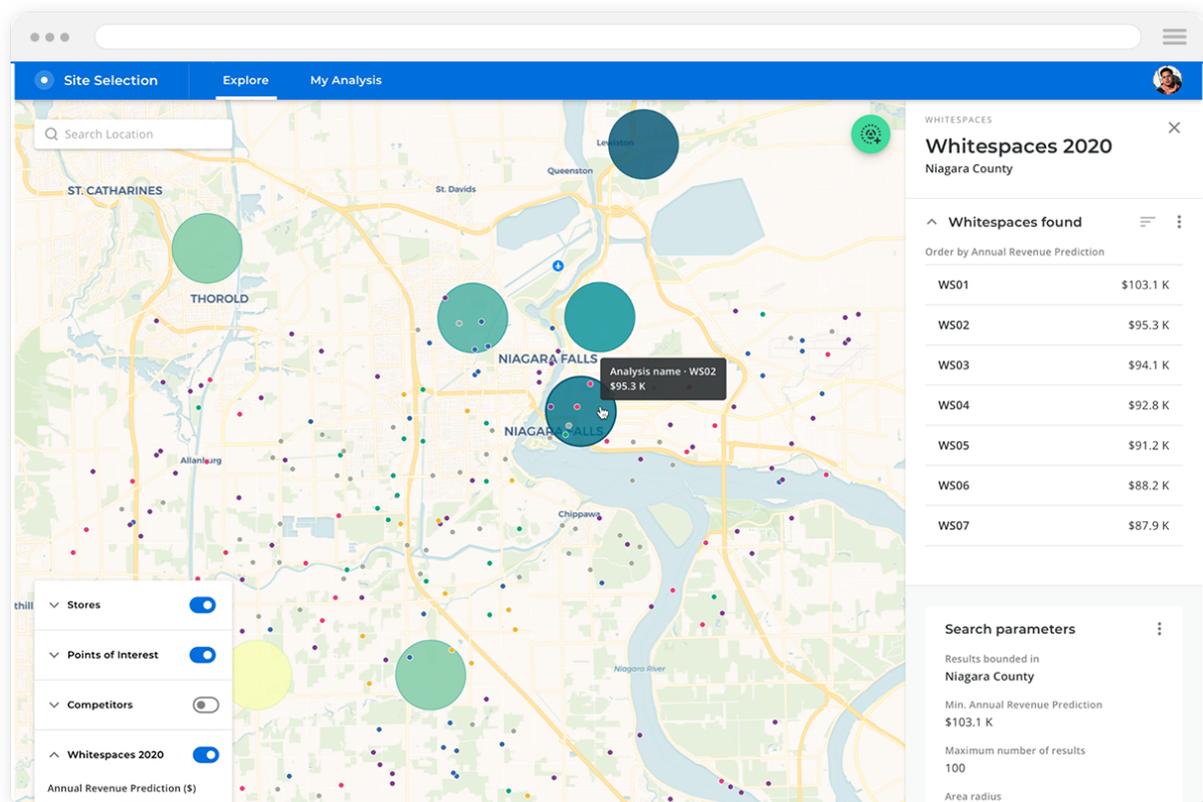
Most of the complexity of site analysis and decision-making has been hard-coded into off-the-shelf Site Selection applications. The most advanced tools allow for the easy integration of a retailer's network information, key competitor insights and 3rd party datasets. **A visualization layer lets both analytical and business users fully explore the current network and surface real expansion or consolidation opportunities.** By contextualizing internal performance data and information on competitors, retailers can assess their business performance at a glance and uncover site gaps well ahead of the competition.



Models and Predictive Analytics

The ability to integrate predictive models into Site Selection decisions can accelerate the evaluation process and give Data Scientists and Analysts the flexibility to run varied scenarios to classify a new or existing site.

Catchment area analysis through the calculation of isochrones, gravitational models, and more sophisticated techniques incorporating location specific variables allow retailers to better understand the consumer make-up of the surrounding area and develop appropriate business strategies.



Using Twin Area Analysis, data analysts can easily identify performant areas in new territories based on the performance of stores in similar locations. This approach can help surface viable expansion opportunities and remove the uncertainty surrounding less data driven approaches.

With predictive revenue modeling a new store or branch's revenue potential can be forecast based on predictions from top performing stores. And using Whitespace Analysis, the data science team can fully explore expansion opportunities in a given target territory where many of the key business indicators appear favorable.

These analytical models and approaches are becoming standard practice in the retail expansion arena and as such have been embedded into the most sophisticated Site Selection tools. However, to truly maintain competitive advantage, many retailers will want to integrate proprietary business rules, models and data into their problem solving and decision making processes.

05

Conclusion

Broader structural changes in the retail sector, along with changing consumer behaviors and the unrelenting transformation towards a new normality have forced most brick and mortar retailers to reassess their store network strategy with the aim of getting back to, or increasing, profitability.

By considering recent moves made by some of the largest retailers across the globe, it is clear that the physical store network can no longer simply be viewed as a fixed cost. This past year has shown that for many senior executives, the site network is a key driver of business value, but also an area of focus for wider corporate cost reduction measures.

The retail site network can now be viewed as a dynamic component of the retailer's omnichannel asset base that should be fully optimized around the ever-changing demands of the consumer. These optimization efforts can only be achieved through the effective analysis of up-to-date data streams such as demographics, human mobility, geosocial and consumer spend information.

Shifting consumer habits has forced many retailers to adopt a more data-driven approach to site selection and planning. Having specialist analytical expertise in-house, access to relevant data and functionally rich spatial analysis platforms are the key components of a new network management philosophy that can underpin the sector's transformative journey for many years to come.



[Location Intelligence for Dummies](#)

A 24-page ebook packed with useful frameworks, case studies, and additional resources to get started with Location Intelligence.

[Spatial Data Catalog](#)

Browse our Spatial Data Catalog to discover thousands of public & premium datasets to enrich your data.

[Becoming a Spatial Data Scientist Ebook](#)

With the rapid emergence of modern location data streams this ebook contains everything you need to know to start turning you and your Data Science team into spatial experts.