

Putting technology into place – why location matters



Simon Thompson, Esri

Simon Thompson is the group leader of Esri's commercial business industry solutions. Prior to joining Esri, Simon held senior positions in enterprise GIS and IT companies. He is a widely published author and speaker on the use of location data and geographic science in retail analysis and geomarketing. He works with Global Tier 1 retailers, who wish to profit from Simon's experience and interests in the role of technology in democratising information, social media, Big Data and the changing dynamics of the global supply chain. As the GIS leader, Esri's Geographic Information System (GIS) software is used by the majority of retail leaders for everything from market planning and site analysis to logistics and merchandising. Currently, there are more than 1,000,000 users, in 350,000 organisations across the globe.

Technology has changed consumer expectations about shopping, and retailers need to respond. It has been said that retailers need to rethink everything, but the fundamentals of retail remain the same despite the Internet – the right product, the right place, the right time, the right price. Location analytics is helping retailers compete and overcome showrooming. Physical stores are an asset that may help traditional retailers outcompete e-tailers. Discover how an understanding of place is helping traditional retailers fight back and prosper.

We shop on our phones, our computers and in stores. We don't compare prices between stores anymore; we use our phones to bring the store to us. Whichever way you look at it, the world of retailing has undergone astonishing change in the past five years. And not just in Western economies, the digitally empowered shopper is a truly global phenomenon. Virtual stores, perfected in Asia, are everywhere. The "endless aisle" is common in Europe as digital meets physical merchandising and in the US online retailers are building new distribution networks to provide same-day home delivery across the entire nation.



Technology has changed consumer expectations about shopping and retailers need to respond. Stores are porous; your prices leak out as shoppers price-match and your stock is easily compared with others. Worse still, those pesky GPS units tell your in-store customer where the same product is available near-by, and maybe at a better price. It seems that consumers have more information than retailers and they are beating them at their own game.

Increasingly retailers are realising that location matters. Location analytics may be the way to retake control of information and make small changes which can deliver big benefits. Location is a way to link search and price comparison transactions to stores, stores to social media, merchandise to populations and markets to individual customers. Location is a digital lingua franca, a way to improve

data analysis of customer and store information at any scale and across many different business activities. Your POS system gives you real-time statistics that help you understand which products your customers like and what sells well, but how do you know what you should stock in the first place, how much and where? Location analytics delivers the answer retailers may need to turn anecdote into action.



Take social media analytics or "socialytics," a term coined by IDC. Most retailers know that cross-channel customers are more profitable than their single-channel customers. The cross-channel consumer is more social and strongly influenced by online opinion, from their network of friends and memes that can be found throughout the Internet. While analysis of social media and reviews sites can tell you which products are hot and which are not, a retailer wants to understand where the products are hot and why.



This is where location analytics comes in. It makes this analysis more accurate, faster and cheaper. Using location we can mine social media to find out where those options and status comments are

coming from and compare them to our preferred personas, demographics or psychographics. We can combine loyalty programme, consumer sentiment and other data together to create a giant focus group of opinion rather than just watch the social stream flow by. Because we have a geographic context (the location of the tweet, check-in, purchase or search) we can associate the stream to a specific place. Now we really start to understand the products and services our customers want in a store and just how far they are willing to go to get it.

The fundamentals of retail remain the same despite the Internet; it's about the right product, in the right place at the right time and for the right price. Armed with new insight and better knowledge, retailers can figure out how to best reach valuable shoppers. For example, much has been written about the evils of 'showrooming' where customers test products in store then go online or buy it cheaper somewhere else. Physical stores are an asset to retailers because they provide a hands-on experience that simply isn't possible online. The people who come into the store already have a predisposition to buy so the trick lies in keeping the shopper in-store and converting their interest into a purchase.



Digital technologies such as QR codes or barcodes can complement the traditional retail experience in-store by adding more product detail and an enhanced shopper experience. Rather than letting the shopper compare the product online with other nearby stores

or retailers, why not enable the shopper to access stock information and price comparisons exactly where they are - in your store. If you can back this virtual experience with a real world engaged, experienced and knowledgeable sales assistant, you have a greater chance of making that sale. The trick is to combine the best of the real world with the expected benefits of online shops. Digital technology has the potential to transform shopping experiences. In May 2012, Retail Systems Research (RSR) published its annual report "The 2012 Retail Store: In Transition", which highlighted opportunities for improving the in-store experience. For the mega retailers or category killers educating and empowering in-store employees via technology was a ubiquitous priority. They saw this as a prerequisite to staying relevant.



For mid-sized retailers providing more specific authority to the store manager was imperative. The way stores are designed and planned, as well as what products are inside them is now very much localised. Each store is tailored to the local community and their needs, aspirations and desires. Improving the convenience and quality of the customer experience via direct local action and offers also helps overcome competitive pressure. A simple example is to allow the store manager to respond to local conditions and events like this year's heat wave in the US. By dusting off the barbecue stock, featuring umbrellas, sun block and warm weather merchandise in prime locations, the store can gain considerable sales uplift – a good outcome for the customer and the store as well.

The more forward-looking retailers recognise the link between cross-channel inventory and customer synchronisation. When location analysis is combined with social media analysis it can direct customers to a specific store rather than to a brand. Staples like in-store rewards and coupons, are being replaced with new location-enhanced marketing strategies that deliver information to store and customer-owned devices. By synchronising customer information across channels and locations, retailers are able to match products and the number of products in a store with the types and number of customers that are likely to shop there. The new wave of analytical technology is enabling retailers to locate and sell from anywhere within the company across any channel.



The increasingly bitter battle between traditional retailers and their online-only counterparts is driving retailers to treat inventory as a shared resource. The backrooms of stores are becoming a network of online distribution centres and online inventory is now part of in-store fulfilment.



Building a more integrated experience across channels promises rich rewards. While many online-only companies have a highly efficient set of warehouses near to major population centres, they often suffer a net loss in the cost of delivery, which erodes revenues and the benefits of mass purchase. If a traditional brick and mortar retailer can improve sales per square foot and increase volumes through better execution strategy and enhanced merchandise management, they can outcompete the online-only retailer within their local market. Shifting how traditional retailers get merchandise to customers offers big payoffs in the long term; especially if the company can begin fulfilling orders locally, directly from the store or encourage the consumer to collect from the store itself. Once again location analysis has turned geographic distribution into an economic asset.



For retailers success is dependent on improving their customer-centricity. Digital technology has meant that the consumer can always find a better price or more compelling offer but it's also empowering retailers to attract and retain those customers in a traditional store setting rather than letting them shop online. The Internet has changed conventional retail and shopping models but location analytics is helping retailers more effectively harness the power of digital, turning data into actionable intelligence and insight into competitive advantage.