

Location Analytics for Retail

A Knowledge Brief





Growing Retail Sales with Location Analytics

Most retailers closely guard how they develop their growth strategies. Accordingly, this use case is representative of how Esri contributes to the success of leading retailers, restaurant chains, and real estate developers nationwide.

A successful online/catalog retailer has opened several brick-and-mortar stores over the past three years. Sales are up in both channels, and the retailer is looking to expand its store network further in ways that will do the following:

- Leverage its existing customer base
- Position it to attract new customers
- Minimize cannibalization between channels and promote overall growth
- Generate highest return on capital investments in new stores
- Establish its brand in markets with high concentrations of its target customers before its competitors do

How important is location in business?

74%

SAY LOCATION IS
VERY IMPORTANT
OR **IMPORTANT**

41%

VERY
IMPORTANT

33%

IMPORTANT

Early on, the store network strategy was simple; the retailer opened stores in markets with high catalog and online sales. All stores are profitable, but some significantly outperform others. A deeper dive into its business intelligence (BI) data revealed why, resulting in a new framework for determining where to open stores.

From having an online sales and loyalty program, this retailer knows its lifestyle fitness-wear brand appeals to these customers:

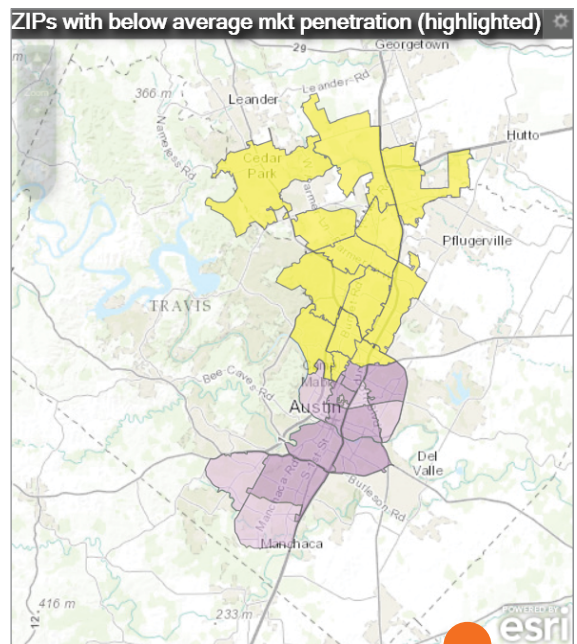
- Active women aged 20–53 (the most profitable core customers are 25–42.)
- Professional (college educated)
- High income (annual household: \$70,000 and above)
- High index for working out three times a week
- High index for running, yoga, gym membership, fitness classes, skiing, and cycling

Sales data shows

- Average annual revenue per customer (combined online and in store) is 22 percent higher for customers located within a 15-minute drive time of a store.
- Store presence increases acquisition of new online customers.

	A	M	N	O	P	Q	R	S	U
	Geonriched Data								
#	ZIP	Online Sales	Customers	Population	Household	HH Size	Male	Female	Market Penetration
10	78705	\$ 2,086.25	34	31526	10767	1.95	16337	15589	0.002181025
24	78741	\$ 1,377.60	49	46576	18320	2.53	24875	21701	0.00225796
25	78751	\$ 168.15	17	14587	7875	1.83	7889	6697	0.00253845
28	78752	\$ 1,142.04	10	19579	7531	2.59	10599	8980	0.00113586
43	78704	\$ 2,651.59	46	43762	22334	1.89	22149	21613	0.002128349
52	78758	\$ 3,025.52	20	46085	18571	2.47	24256	21829	0.000916212
53	78753	\$ 2,881.47	25	52297	18532	2.81	27108	25188	0.000992536
54	78756	\$ 184.55	5	7375	4026	1.82	3696	3679	0.001359055
55	78757	\$ 1,758.60	10	21556	10290	2.08	10592	10964	0.000912076
56	78702	\$ 2,086.69	24	21874	8404	2.52	11189	10685	0.002246139
66	78701	\$ 528.78	10	7112	4056	1.47	4378	2734	0.003657644
78	78723	\$ 1,318.92	33	30037	11382	2.62	15465	14572	0.002264617
80	78745	\$ 5,383.23	60	57016	24790	2.29	28558	28458	0.00110837
81	78722	\$ 510.40	9	6049	2876	2.04	3065	2984	0.003016086
103	78703	\$ 431.96	23	20073	9662	2.02	10005	10068	0.002128466
104	78749	\$ 2,704.69	38	35098	14701	2.38	17181	17917	0.002120891
107	78748	\$ 2,185.20	46	43626	17321	2.51	21189	22437	0.002050185
108	78664	\$ 3,976.53	30	56125	19742	2.82	27618	28507	0.001052373
109	78721	\$ 673.68	14	11877	3949	2.98	5821	6055	0.002312139
110	78727	\$ 2,242.57	15	27252	12670	2.15	13665	13587	0.001103996
112	78729	\$ 2,694.81	16	28971	13182	2.2	14402	14569	0.001986222
113	78731	\$ 1,726.21	14	25383	12497	2.02	12382	13001	0.00107684
117	78759	\$ 3,375.74	20	39466	19920	2	19599	20367	0.000818081
118	78712	\$ 3.07	3	860	0	0	419	441	0.006802721
119	78728	\$ 1,798.63	10	20634	9789	2.11	10208	10426	0.000959141
120	78681	\$ 3,802.59	26	53789	18192	2.95	26689	27100	0.000959141
121	78613	\$ 1,549.31	35	69281	24420	2.83	33907	35375	0.000898999

By adding Esri population data to its sales data, the retailer could identify areas that offered good growth potential.



Viewing data on a map vs. only tables and charts reveals patterns and provides a quick visual of where opportunities are.



Who is using Location Analytics?

In the world of
BI
BUSINESS
INTELLIGENCE

74% SAY LOCATION IS IMPORTANT, YET MOST MISS OUT ON LOCATION ANALYTICS.

45%
OF COMPANYS USE
LOCATION ANALYTICS

10%
PLAN TO IMPLEMENT

Enriching BI Data to Assess Market Penetration

Online sales were strong in Austin, Texas, so the retailer wanted to investigate opening a store there. Leveraging its BI data, it used Esri® technology to build an omnichannel view of the opportunity.

Analysts exported sales data for online customers in the Austin area into a Microsoft Excel spreadsheet, then appended Esri demographic data to assess market potential. By ZIP code, the data showed where online customers are concentrated and where to find more like them and provided an understanding of potential for the market in total.

Based on insights gained through this analysis, the retailer added demographic and lifestyle data to its BI platform, providing easy access to enriched data for market potential and other analyses across the enterprise.

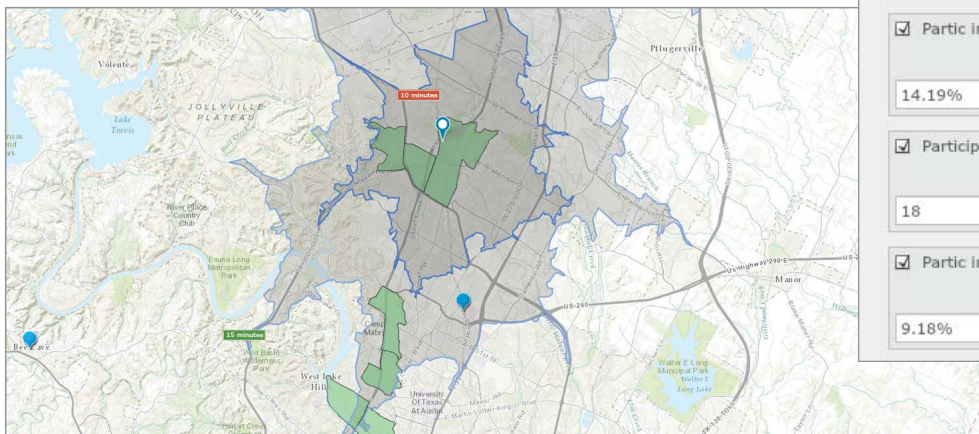
Data gathered from other markets with stores shows a 22 percent increase in revenue per customer for online sales and an increased rate of acquiring new customers. Using these metrics, the retailer built sales models based on size of market, cross-channel lift, and growth based on population projections for Austin. All signs were positive for opening a profitable store.

Finding the Right Store Location

Once the decision was made to move forward with an Austin store, the real estate team used Esri Business Analyst OnlineSM to help find the perfect site. This web application doesn't require special training or advanced analytical skills and can be accessed via mobile technology.

Using the built-in Smart Map Search, the team zeroed in on target customers and automatically generated a map showing drive times to mall locations under investigation. Knowing that a 10- to 15-minute drive time is its sweet spot, the retailer eliminated all but one site.

Through Smart Map Search, simply select the data variables that are important to you. You can adjust the slider to narrow your target location search.

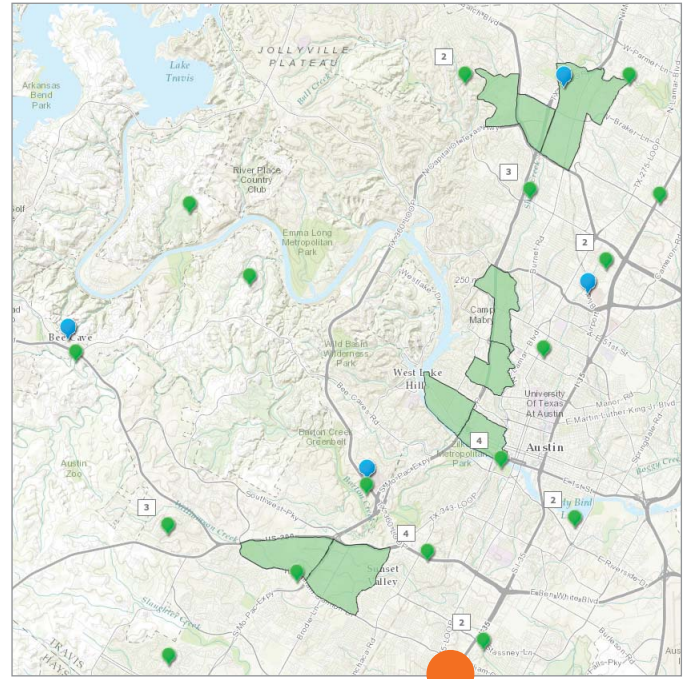


The map shows high concentrations of the target shopper (green), the mall location under consideration, and drive times. Reports detailing demographic information, spending data, and supply and demand for key consumer categories can be quickly generated by drive time.

Marketing and Merchandising Go Local Too

Local marketing plans and merchandise space planning are critical components of new store openings.

In addition to sending geographically targeted mail and e-mail messages, this retailer scoured Austin for partners in the fitness industry and opportunities to sponsor local events and teams. For example, the retailer used Esri business data to overlay fitness and yoga studios to identify where target shoppers are likely to work out. The retailer then coordinated cross-promotional and on-site events to drive traffic to its new store.



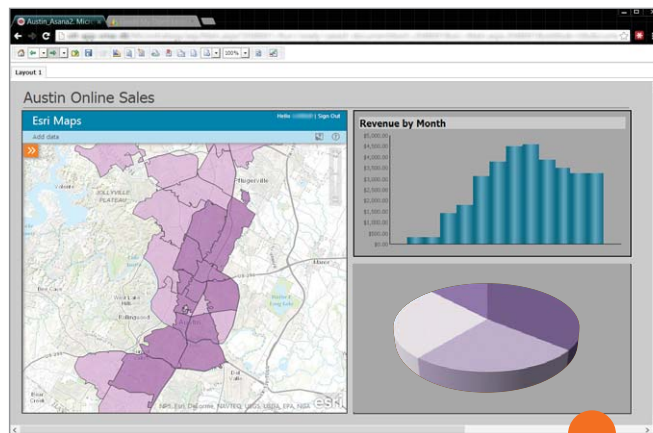
In an effort to get the best product mix in its new locations as well, the retailer analyzed historic online sales trends for Austin by category and season, then aligned the product mix in store to fit local market demand.



Tracking Success

Extracting more value and insight from its data paid off for this retailer. The opening of the Austin store was a success. Cross-channel selling continues to increase loyalty and total revenue per customer. Using this more strategic model for expansion, locations opened in the past year are matching or exceeding the highest-performing stores in the network.

Enhancing analytics with location data didn't end with the opening of the new store. Sales data continues to be "sliced and diced" to show results by channel, the impact of the new store on sales to current and new customers, and trends over time.



Maps supplement charts built into dashboards to give company executives a quick read on critical data.




Get More Value from Your Corporate Data with Location Analytics

Today, 7 of the top 10 US retailers rely on Esri technology to support critical decisions about their store networks and markets. And as more adopt the Esri Location Analytics platform, use of location-based data and analyses are proving valuable in other areas, such as marketing, merchandise planning, and supply chain, to name a few.

Retailers, developers, and franchisers can enable location-specific insights within their enterprise business systems, such as CRMs, BI, and productivity platforms using custom installations of Esri technology or off-the-shelf solutions for the following:

- Microsoft Office
- IBM Cognos
- MicroStrategy
- Microsoft SharePoint
- Microsoft Dynamics CRM



“Everything we need— including mapping, analytics, and modeling— can be done on one platform that is scalable across our organization.”

—Dennis Hill, Vice President,
Real Estate, Wendy’s



► Find out more at
esri.com/locationanalytics.



Understanding our world.

Esri inspires and enables people to positively impact their future through a deeper, geographic understanding of the changing world around them.

Governments, industry leaders, academics, and nongovernmental organizations trust us to connect them with the analytic knowledge they need to make the critical decisions that shape the planet. For more than 40 years, Esri has cultivated collaborative relationships with partners who share our commitment to solving earth's most pressing challenges with geographic expertise and rational resolve. Today, we believe that geography is at the heart of a more resilient and sustainable future. Creating responsible products and solutions drives our passion for improving quality of life everywhere.



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