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Map Your Own Economic Recovery Route

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While the economy flounders and retailers and consumers alike anticipate a hoped-for recovery (Is it 2010 yet?), site selection analysts are mapping ways to make the recovery happen. Their data-driven approach provides retailers with specific localized information to anticipate and respond proactively to changes in today's troubled marketplace.



"Site selection analysis is a survival strategy for retailers in this economy," said Devon Wolfe, Pitney Bowes Business Insight (PBBI) managing director, Americas strategy and analytics services. "There's a very intense need to study markets at a local level and really understand which markets make sense for which retailers and which ones don't."

Geographic information systems (GIS) — the hardware and software tools of site selection pros — analyze up-to-date, local macroeconomic indicators to help retailers improve the accuracy of retail sales projections and the efficiency of their store or store network. New construction data, drive-time characteristics, housing turnover, census statistics, household wealth, and unemployment estimates are among the hundreds of demographic categories available for analysis through such programs.

For example, ESRI's ArcGIS Business Analyst Online helped one retailer evaluate the market opportunities for their different prototype stores for every one-mile grid intersection in the entire United States. "They can tell you the difference in revenue potential between a store on the southeast corner and one on the northeast corner," ESRI director of commercial marketing Simon Thompson told me. "Companies like Starbucks have used these techniques to move away from marginalized areas to places where they will be more successful."

The economic uncertainty in the retail sector has heightened the need for the sort of precise demographic information that GIS can provide. "For retailers, there's a big question: What do we do?" said PBBI's Wolfe, whose company in February created PBBI MarketPulse, a market analysis software tool that uses macroeconomic data to predict retail store performance. "We can help by taking the same research techniques that would be used to open a store and try to understand what will happen if competitors close or if there is vacant real estate available."

GIS applications produce data that is vital now as retailers consider relocation, closure, consolidation opportunities, and, in some cases, optimal sites for new store locations. For instance, you can find your potential customer base — and competition — in 1-, 3-, and 5-mile rings around any location with an Excel spreadsheet of addresses and the GIS software.

"In a great economy, you're going to plunk stores down and hope for the best," ESRI's Thompson said. "But in a tough economy, what you really want to do is focus on the specific details of a location."

Do you have enough macroeconomic data to make the kind of smart site selection decisions that will help you avoid the economy's dead ends? If you can't analyze down to the impact of which street corner will generate more revenue, it might be time to stop and ask for directions.

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