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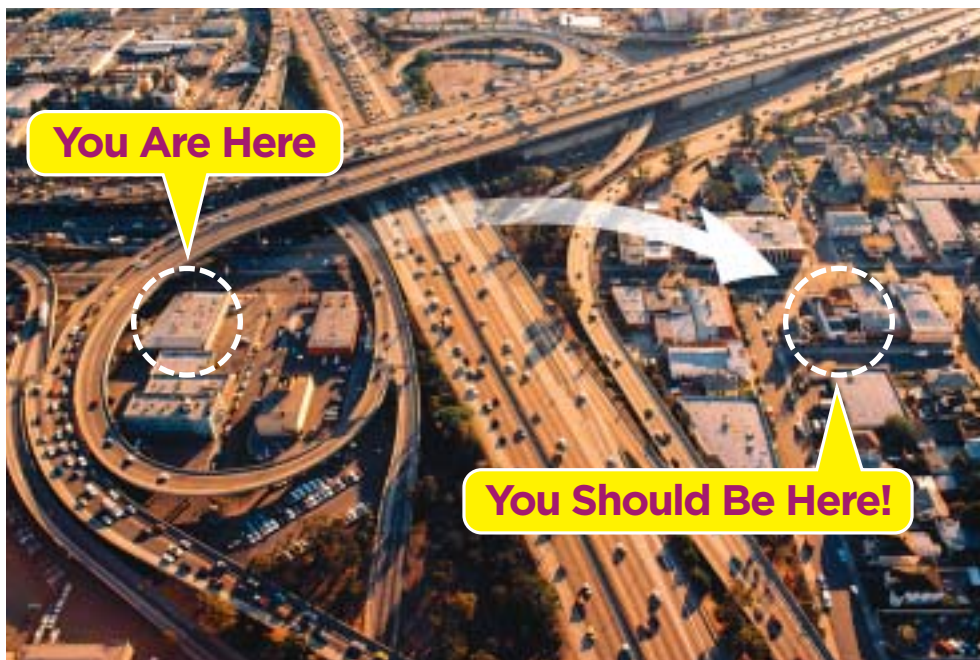
WHERE BUSINESS IS GOING

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Is Your Business in the Right Spot?

With location-scouting software from **MapInfo**, savvy retailers are turning commercial real estate from guesswork into a science. **BY AMY CORTESE**



tors is a wise move. Its extreme number crunching combines retailers' proprietary data (say, from loyalty cards) with U.S. census figures and other demographic patterns to determine stats like how far customers travel to make a purchase. MapInfo can predict not only which markets offer the best potential for expansion—down to specific intersections—but also how each new store will affect revenue across the chain, generating color-coded maps of the best locales. In the past, commercial real estate decisions depended on some combination of broad-brush demographics and lots of pricey guesswork, so MapInfo is a boon for businesses that live by the law of “location, location, location.” That’s why companies like Arby’s, Gap, Home Depot, and Jo-Ann Stores have used the software to pinpoint unlikely markets, shutter underperforming stores, and launch expansion strategies.

Ever wonder how eight fast-food joints crowded into the same intersection can all make money? And if a ninth restaurant came in, would it turn a profit or suffer stiff competition? Turns out, there’s often a tipping point at which just one more competitor can’t be supported amid a cluster of copycats—whether it’s a group of bank branches, used-car lots, or diamond dealers.

Using a combination of data mining, mapping tools, and predictive analysis, software maker MapInfo can tell businesses when a site is over that tipping point or if locating near competi-

Who’s Using It

Home Depot Identified an unlikely site for expansion.

Jo-Ann Stores Replaced small stores with superstores that do nearly 50 percent more volume.

Arby’s Found that diners are willing to drive as much as 20 percent farther for roast beef sandwiches than for chicken.

“In an increasingly competitive world,” says Westminster Securities analyst Steve Gear, “companies take an edge wherever they can get it.”

Founded in 1986, MapInfo built a brisk business in the '90s helping telecom companies analyze their networks. But after telecoms hit hard times in 2001, MapInfo fell into the red. Since then it's diversified, and last year's acquisition of Thompson Associates, a retail consultancy in Ann Arbor, Mich., gave MapInfo entrée into “predictive analysis,” an estimated \$1.5 billion market that uses modeling techniques to anticipate consumer behavior. While MapInfo doesn't have any head-on rivals, it faces competition in nearly every industry it covers, not to mention the threat of dwindling tech spends. Still, with its expanding roster of retail clients, MapInfo recently reported three consecutive quarters of profit. Here are some of the most important retail lessons it's learned over the years.

Convenience Isn't Always King

In the fast-food business, clustering with similar merchants is often beneficial, because diners typically will drive only five minutes for quick food and tend to go where they have myriad options. But as Arby's learned, specific products can affect behavior. MapInfo discovered that diners drove as much as 20 percent farther for an Arby's roast beef sandwich than for the chain's chicken offering. The reason? Shoppers could get chicken elsewhere but considered roast beef a “destination” product.

Uncover Hidden Markets

Home Depot wanted a store in New York City, but its best customers own homes, and big homes at that—not the Big Apple's strong suit. When a site became available in Queens—less affluent than Home Depot's usual demographic, with small row houses and apartments—MapInfo predicted that it would do well. Since open-

ing in 1995, the store has become one of Home Depot's highest-volume outlets. While the typical Queens customer spends significantly less than what suburbanites fork over, the shoppers make up for it in number: There are nearly 800,000 households in the borough.

Constantly Reexamine Established Markets

Age, income, racial distribution, and migration patterns change radically over time, so stores once suited to a market can suddenly be out of step. MapInfo sends demographers to update once-a-decade census data and add information on housing values and construction permits. That data came in handy for Gap when it wanted to open new Old Navy outlets while closing underperforming stores. On the flip side, Home Depot thought it had saturated Atlanta in 1979—but by studying the market for the past 15 years, MapInfo found room to expand. Today, there are 40 Home Depots in that metro area.

Superstores Can Mean Super Sales

In 2001, Jo-Ann Stores had 70 superstores and knew from sales data that they were working. But the fabric-and-crafts retailer worried that more big-box stores might not make enough money to justify the expense of building them. So MapInfo collected data on 5 million Jo-Ann shoppers to create an ideal customer profile—female homeowners with families—and mapped it against demographics. Jo-Ann found that it could build a total of 700 superstores, and that instead of alienating loyal customers, the superstores simply got the regulars to buy more stuff: \$150 in sales per square foot, vs. \$105 for smaller stores.

“Our discipline is better,” says Mike Edwards, Jo-Ann's executive vice president for operations. “We have moved from intuition, gut-feel, and dealmaking into science.” ♦

Amy Cortese writes about business and software from New York.

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