Leveraging Locational Insights within Retail Store Development?

Assessing the Use of Location Planners' Knowledge in Retail Marketing

Abstract

The retail geography literature has long recognised the importance of spatial and catchment analysis to inform decision-making relating to store development. However, less attention has been directed to store development “in practice” and, more specifically, how location research and geographical knowledge is leveraged across the wider retail business – in particular informing the marketing function. Through the use of a semi-structured interview and focus group methodology involving approximately 40 location planning, property & marketing analysts, we find that while some larger retailers have established close links between store development and marketing functions in the exchange of catchment, customer, competitor and loyalty card data to inform local marketing, product ranging, promotional mailings and post-opening store performance reviews, this tends to be the exception rather than the rule. We suggest there is a need for location planners to develop their intra-organisational legitimacy to engender a culture of knowledge-sharing and challenge the departmentalised, silo cultures that exist within some retailers in order to better leverage geographical insights and assist in the realisation of appropriate customer propositions and marketing strategies.

Keywords: retailing, marketing geography, store development, store format, local marketing

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1. Introduction

Research within economic geography has a long history of developing techniques to forecast the sales potential of retail development sites (Applebaum, 1968; Birkin et al., 2002, 2010; Davies and Rogers, 1984; Wrigley, 1988). Recently, coinciding with the emergence of the so-called “new retail geography” (Wrigley and Lowe, 1996), there has been a wider exploration of the importance of appropriate store development – whether this is in terms of store networks that are embedded or ‘strategically localised’ within their host markets (Wrigley et al., 2005; Coe and Lee, 2006); conform to the current regulatory frameworks within the region (Guy and Bennison, 2007; Wood, 2001; Wrigley, 1997); or make intelligent use of capital sunk into stores and are defensible in the face of competition and merger and acquisition activity (Poole et al., 2006).

Meanwhile, a persistent strand of *the retail management* literature concentrates upon the kinds of links that may exist between store development and marketing management. Indeed, Davies’ classic *Marketing Geography with Special Reference to Retailing* (1976) is a historic case in point. Davies (1976, p. 288) observes: ‘there are particularly strong relationships between marketing geography and the retail problems encountered by firms’. More recent work emanating from this area conceptualises the micro geographies of store environments on consumer store selection and behaviour (Larson et al., 2005; Sorensen, 2009); the effect of specific marketing messages and promotions on consumers within stores (Smith and Sparks, 2009; Tsung-Chi and Chung-Yu, 2008); the mediating role of shopping mission on in-store behaviour (Jackson et al., 2006; Megicks et al., 2008) and how innovation in retail brands, products and ranging affect consumer perceptions (Anselmsson and Johansson, 2009; Johansson and Burt, 2004). Developing an intimate understanding of customers both within store environments (Underhill, 1999) as well as at-a-distance (Humby et al., 2008) are also considered

crucial to achieving market orientation and effectively targeted store formats (Elg, 2007). As such, continued innovation in the development of store formats across a range of locations, creating differentiated and appealing customer propositions, is widely recognised (Gauri et al., 2008; Reynolds et al., 2007).

This research paper is focused on the store development departments of retailers¹ – the function responsible, mainly within medium- to large-size retailers, for the assessment of the viability of market entry to new regions, the devising of store network plans and the appraisal of particular development opportunities. More specifically, we are concerned with the relationship between this department and the wider functions of the retail organisation – principally the marketing division of the firm. The store development department analyses and interprets many of the issues directly related to retail marketing, such as catchment analysis (customers, their characteristics and behaviour); the forecast (and actual) trade of stores; and the nature and presence of retail competition. To what extent then do these practicing geographers (for by and large, a high proportion of geographers find employment in these occupations) leverage their insights more widely to directly influence retail marketing activities in the firm?

In examining the clear gap in the research literature in this respect, this paper inevitably recognises the relational and networked nature of the firm – one where there may be differential levels of trust, power and reciprocity between hierarchies, departments and individual actors, which may work to impair the extent of knowledge creation and interaction between functions (Jones, 2008; Yeung, 2005b; cf. Sunley, 2008). In particular, the role and influence of the marketing department across the retail business is especially relevant at present given the concern voiced across the social sciences that

¹ Such functions within retailers are also termed “location planning” and “site research” departments depending on the retailer concerned. We use these terms interchangeably throughout the paper.

it is a discipline that ‘has become marginalized and less relevant for top management’ (Mattsson et al., 2006, p.166). Indeed, while being a department that should be closest to understanding customers, it is argued that, in part, there is a tendency for the marketing function to conform to disciplinary silos rather than extending its reach and influence more widely (Aaker, 2008; 2010; Palmer and Simmons, 2010; Verhoef and Leeflang, 2009; Webster et al., 2005). By drawing on semi-structured interviews and a focus group involving approximately 40 location planning, property and marketing analysts across a range of principally UK-based retailers, we seek to examine two principal research objectives which may inform this debate:

- 1 To analyse the linkages and cross-working between location planning and marketing departments from the perspective of the analysts concerned.
- 2 To identify and evaluate strategies that serve to enrich best practice and strengthen the interface between store development and marketing functions.

In doing so, we aim to contribute to both the economic and retail geography literatures as well as to inform debates ongoing within retail management and marketing. We also seek to identify the managerial implications of our findings, given our focus on the impact of retail geography in *practice*.

Our paper is structured as follows: First, we provide context for our analysis through a brief review of the academic research concerning retail store development. Second, we outline our interview and focus group methodology before, third, examining the results of our qualitative research. Finally, we review the implications and conclusions of the study for both academics and retailers.

2. Geographies of Store Development and Portfolio Management

Research across both economic geography and retail management has underlined the importance and complexity of retail store development to the firm and the wider region. While the contribution of retailing to the local economy and the interplay between global/national chains and local operators continues to be debated (Henderson, 2011; Powe and Shaw, 2004) – not least for the vitality and viability of the High Street (Wrigley et al., 2009; 2010), at its most simplistic level, the sunk costs in store development can be considerable (Clark and Wrigley, 1997; Guy, 1999) and may be unrecoverable in the event of portfolio rationalisation or indeed market exit (Palmer and Quinn, 2007). While there has been much talk of the “new” economy affecting the sustainability of investment in retail stores given the sales opportunities posed by the internet, this channel is increasingly regarded as complementary to a physical retail presence for ‘bricks-and-mortar’ businesses (Murphy, 2007; Wrigley and Currah, 2006).

Amid a backdrop of increasingly competitive Western retail markets and subdued economies, portfolio innovation that brings with it such benefits as convenience and assortment has been recognised as a significant factor in a retailer’s competitive advantage, although one that is not necessarily wholly understood (Tandon et al., 2011). Store format evolution is known to contribute substantially to retail efficiency and productivity (Guy, 2006; Higón et al., 2010; Reynolds et al., 2005). However, as Reynolds et al (2007, p.647) note, conceptualisations of retail change often fail to grasp the ‘often experimental, incremental and often accidental processes’ behind retail store format development and innovation. For example, understanding the consequences of different formats within an operator’s portfolio in terms of cross-shopping and the sales cannibalisation between them are themes infrequently explored within the academic

literature (Davies, 1993; Dibb and Simkin, 1994; González-Benito et al., 2005). It is well known that different formats offering different merchandise will derive trade from different customer constituencies with different motivations, in part due to locational variations (Davies and Clarke, 1994). The decision-making regarding format size also has considerable implications for the relationship between market share growth and the absolute size of the store network (Bennison et al., 1995) with many contemporary retailers offering more than one format to appeal to different catchments (Campo and Gijsbrechts, 2004; Clarke and Bennison, 1997).

In the UK, part of the focus on innovative store format development has been related to emerging regimes of regulation – notably tightened rules on retail planning² – that have demanded flexibility in the size and location of stores as well as in the construction of new or slightly adjusted formats for specific, and sometimes changing, circumstances (Guy and Bennison, 2007; Wood et al. 2006, 2010). Such flexibility is also required for store development in overseas markets where market rules are also subject to change – for example in the tightened land-use planning regulations affecting hypermarket retailing in Asia (Coe and Wrigley, 2007; Mutebi, 2007). In other instances, the role of competition regulation directly influences the geography of merger and acquisition within retailing as authorities insist on divestiture in the event of horizontal market overlap and seek to avoid potentially oligopolistic market positions (Poole et al., 2002; Wood, 2001).

It is unsurprising that the economic geography and retail marketing literatures have focused on the importance of appropriate forms and locations of store development for

² Since the mid-1990s UK retail land-use planning policy has made it difficult for large format retailers to develop stores, and shopping centre developers to build malls, outside of town centres. This ‘town centres first’ policy is designed to protect the vitality and viability of traditional retail centres from decentralisation tendencies (see Guy, 2007; cf. Wrigley and Dolega, 2011).

the region or catchment. Whether employing the terms ‘standardisation’ versus ‘localisation’ (or a more nuanced blend between the two) (Burt and Mavrommatis, 2006), or indeed ‘territorial embeddedness’ and ‘strategic localisation’ within a region (Coe and Lee, 2006; Tacconelli and Wrigley, 2009), the scale and nature of store development must be suited to the local catchment and customer base. This is a matching process which requires rigorous analysis of both market and region. Indeed, as Currah and Wrigley (2004, p.1) observe, successful store development partly rests on flexibility in approach and the ‘ability to adapt the portfolio of retail formats to different and rapidly changing business environments by mobilizing and blending knowledge from multiple locations’.

Achieving the necessary degree of acceptance within the market for a new retail entrant is clearly challenging, with localisation strategies especially important for those retailers lacking a strong retail brand (Coca-Stefaniak et al., 2010). In this manner, Lowe and Wrigley (2009; 2010) have described the extent of the research and analysis conducted by UK food retailer, Tesco prior to its entry into the United States, where marketing agencies worked alongside the retailer’s location planning team. In this example, a research team was established in secret within the country to engage in extensive consumer research, even constructing mock-up formats complete with stocked shelves in order to gauge consumer responses to initial plans. Similarly, French food retailer, Carrefour is reported as making considerable efforts at trialling, researching and adapting its formats and operations relative to its institutional and cultural contexts (Burt et al., 2008). The costs of “reading” the consumer incorrectly can be considerable. The enduring nature of local consumer cultures is underlined in the continued popularity of wet markets in Asia despite the entry of western superstore and hypermarket formats (e.g. Goldman, 2001; Goldman et al., 2002).

Planning for store development and its subsequent management is therefore a complex process which should involve a retailer's property, marketing, and store development departments (amongst others) working together and sharing knowledge to provide customers with convenient and satisfying shopping destinations. Hernández et al. (1998) suggest this process encompasses three tiers of decision-making: the *strategic level* where the aggregate location strategy for the retailer is determined and informed both by the corporate and overall marketing strategy; *the monadic level* where decisions are made concerning individual locations (e.g. organic development; divestiture; acquisition; refurbishment; extension; replacement); and finally *the tactical level* which includes decisions concerning local marketing (see Figure 1).

XXX Figure 1 about here XXX

The economic and retail geography literature has long argued for a methodical and data-focused procedure for appraising store development opportunities (Applebaum 1965; 1966a). Scholars initially focussed on the need to identify 'trade drivers' (Hutchinson 1940) alongside systematic techniques for determining likely store performance within catchments (Applebaum, 1966b; Cohen and Applebaum, 1960; Epstein, 1971). Over time this literature has developed – through involvement with the assessment of stores by practitioners 'on the ground' – to realise models and statistical techniques that support forecasting and decision-making and which have become increasingly sophisticated (Birkin et al., 2002; 2010; Davies and Rogers, 1984; Wrigley, 1988). The main methods are summarised in Table 1, although these techniques are not the focus of this paper.

The focus on modelling has meant that the integrity of the data to be manipulated has become an increasingly important consideration. This has seen the rise of a range of commercially available datasets – for example geo-demographic classifications derived from census data – that can be employed to inform forecasting and decision-making (González-Benito and González-Benito, 2005). Meanwhile, in terms of conceptualising modifications to current stores, there lies an opportunity to leverage a retailer's own records on customers and trading performance more effectively to understand the geographies of customer travel and behaviour, insight that should also be of interest to marketers (Mulhern, 1997; Humby et al., 2008).

XXX Table 1 about here XXX

Recent work within economic geography has examined the *practical* role of store development planning and forecasting activity within retail firms – not least publications from our own Nuffield Foundation funded research (discussed below), a project upon which this paper is also based. In particular, Birkin et al. (2010, p 442) underline the ‘relatively limited success in the transfer of academic modelling technology into the real world’ as the operationalisation of theoretical models into a practical context proves challenging. In part this stems from the blend of modelled and observed knowledge that constitutes practical store forecasting where there are factors that are difficult to integrate into models (Clarke et al., 2003; Wood and Reynolds, 2011b; 2012). In other instances, catchment, population and expenditure data, particularly at a local level or in under-developed, overseas markets, may be unavailable which may shift the focus away from complex techniques to greater reliance on site visits and simpler forms of data collection and analysis to assess the admittedly more subjective locational attractiveness of a prospective store (Wood and Browne, 2007; Wood and Tasker, 2008; Wood and Reynolds, in press). Indeed, as one study noted, ‘the

most serious problem to be overcome involves the availability of suitable data, the computational procedures being straightforward' (Moutinho et al., 1993, p.219).

In our study of store development departments (Wood and Reynolds, 2011a), we earlier identified a range of approaches to store forecasting and portfolio management that varied from highly complex analysis (where senior management were typically guided by recommendations) to, at the other extreme, site research functions that lacked the personnel, investment in technology and time to undertake complex analysis. In the process, such departments came to lack internal legitimacy and served to further reinforce the situation of geographers leaving their potential benefit to the organisation unfulfilled (Reynolds and Wood, 2010). Clearly then, the culture of the organisation and its decision-making routines have considerable implications for the geography of store development (Theodoridis and Bennison, 2009).

2.1 Marketing and store location analysis

While Figure 1 maps the main components of location planning within retail store development, it falls short of expanding on the specific nature of the linkages between the site research and marketing department as it occurs in practice. Indeed, relatively little within economic geography has been explicitly written concerning the linkage between store location planning and the marketing function of the firm. Some exceptions exist: Collins (1989), writing in *Environment & Planning A*, notes that the process of devising location strategy and forecasting the sales of potential sites uncovers considerable data that is of interest to local marketing and the understanding of customers. However, even publications explicitly titled "marketing geography" have often tended to infer a relationship with store location assessment studies or more general retail geography texts rather than actually detailing any linkage between

marketing functions and store location management (e.g. Cohen, 1956; Davies, 1976; Hamill, 1965).

More recent retail marketing literature has explicitly recognised how the geography of store development and the decision-making associated with store portfolio maintenance is a critical component of successful marketing management. The need to orientate the retail business towards the demands of customers and the wider market is now fully accepted (Rust et al. 2010). Figure 2 shows how *store development* takes its place amongst the processes of market orientation – as Currah and Wrigley (2004) suggest – by harvesting customer knowledge created in a ‘bottom-up’ fashion that feeds into the business to inform strategic adaptation. Meanwhile, *concept and brand development*, focused on longer time scales, results in decisions concerning store development strategy which exhibit profound effects at the scale of the corporate brand. Beyond a focus on the interior of the store itself, its product offer and the link with store image (Burt et al., 2007; Tsung-Chi and Chung-Yu, 2008), a specific concern with distinctive elements of store location and format is long established (Brown 1993, 1994; Constantinides, 2006; Mulhern, 1997).

XXX Figure 2 about here XXX

The involvement of the location planning department is not seen as ending with a store opening. Both Morgan and Tang (1992) as well as Simmons (1978) argue that not only should there be extensive market research and analysis pre-opening, but that there should also be post-opening reviews of actual performance versus forecast sales distribution, as well as analyses of store image amongst consumers. This should lead, they argue, to appropriate amendments to store offer, layout and practices. Beyond this contribution, the extent to which post-opening assessment has been considered within

the research literature has been extremely limited other than through continued recognition of the more general need to retain a degree of market orientation within retailing (Elg, 2007; Harris and Piercy, 1999; Rogers et al., 2005).

Given the somewhat patchy background identified within the research literature, we hypothesise that there are nevertheless some discrete areas in which location planners can inform the marketing function of retailers. These are presented in Table 2 before we explain the methodology employed in this research and then examine the results of our ‘close dialogue’ with location planners.

XXX Table 2 about here XXX

3. Methodology

This research adopts a ‘close dialogue’ approach with key experts in store development, property and marketing (cf. Clark, 1998). It is based on a three-stage data collection process. First, we conducted an online survey of assessment techniques employed by named location planning/property managers. While this is not the focus of research for this paper and is reported elsewhere (Reynolds and Wood, 2010), it served to contextualise many of the issues and aided us in devising a suitable interview protocol. Second, our main data collection employed semi-structured interviews with approximately 30 analysts and managers responsible for location planning, marketing and property across a range of retailers and related consultancies (see Table 3)³. Interviewees were mainly drawn from survey respondents together with members of an industry association focused on location analysis. The selection of retailers provided a sample of operators across different retail sectors and sizes. Often respondents had

³ Given the relatively few exclusively specialist site research departments within UK retailers, often these executives were located within departments not *solely* tasked with location planning. Consequently, our interview subjects often had job titles relating to property management, marketing or, in some cases, country-wide management for small retailers.

extensive experience not only at their current employer but also across a range of other retailers and consultancies earlier in their careers. All respondents were assured of complete confidentiality both of their personal identity and their company. The data from our interviews were triangulated by our own professional experience in site forecasting, and alongside continued attendance and networking at meetings of a location analysis industry association.

XXX Table 3 about here XXX

The interview protocol was loosely based around a number of themes related to portfolio development and its subsequent management. They were usually held at the head offices of the retailers and location planning consultancies and lasted for between 45 and 90 minutes. Typically interviews were audio recorded and subsequently transcribed and then subject to open coding where ‘data are broken down into discrete parts, closely examined, and compared for similarities and differences’ (Strauss and Corbin, 1990, p.102). Having grouped the opinions and statements under categories, we then subjected these to further analysis through triangulation by reviewing analyst reports and the retail press and also reassembled the data ‘through statements about the nature of relationships among the various categories and their subcategories’ in order to generate tentative findings (Strauss and Corbin, 1990, p.103).

Having established some provisional conclusions, our third and final stage of data collection involved conducting a focus group with 10 location planning analysts in April 2010. None of these participants had featured in the previous stage of the research. The focus group was held at a residential course for senior managers which was focused on location planning. This session was held to determine whether our provisional conclusions derived from interviews fairly represented the complexity of the issues

involved. This was an important part of the research process, allowing us to actively probe individuals' understanding, promote group discussion, and compare perspectives, thus permitting deeper reflection. In order to ensure an informal atmosphere and to provide assurances of confidentiality, this particular session was not recorded though one of the research team took notes, while another facilitated the focus group.

4. Assessing Location Planning and Marketing Interaction

In this section, we assess the findings from our interviews and focus groups with analysts, consultants and managers within the location planning departments of retailers concerning the integration of location planning and marketing functions. We introduce quotations from our interviews to illuminate our findings and in doing so note the retail sector from which the respondent originates. Unsurprisingly we found considerable variation in decision-making processes and procedures, especially in the degree to which store development and its subsequent management was considered an issue of concern for marketing departments at all.

Table 4 offers a generic work-flow for store development, from initial strategic planning, through to the appraisal of initial sites, construction, store launch and post-opening assessment, appraisal and adjustment. Throughout the process, the location planning function would habitually work with a number of other departments including Property, Space & Range Planning, Marketing and Senior Management (cf. Wood and Reynolds, 2012). As is evident from the table, marketing departments were typically not included until the final two phases of store development process: 'store opening preparation' and 'post-opening assessment'. What this generic categorisation fails to recognise, however, is the wide variation in the extent of integration across the firms analysed. It is to these issues that the paper now turns.

4.1 Knowledge sharing and integration between location planning and marketing teams

The extent of knowledge sharing that we observed between location planning functions and marketing departments was partly determined by (and related to) the level of sophistication in store development and planning that the retailer exhibited overall.

Retailers that had an established location planning function, which was accepted and legitimised throughout the organisation, were more likely to share knowledge and some analysis capabilities with marketing teams – both in domestic as well as in international store network planning (cf. Wood and Reynolds, in press). As one department store retailer suggested, in these instances the ultimate aim was for the function to become an indispensable source of customer and spatial catchment data analysis within the firm, alongside its core role in advising senior management on the strategic and tactical aspects of portfolio management:

‘With a business like ours obviously, new stores are kind of big business, big projects. They want to understand everything about the catchment, and what kinds of customers live there, and do they shop anywhere else with us, and how much they spend, and ... where the best area is to target. So you’d get involved obviously with direct marketing for the new stores, you’d get involved with the general marketing for the stores, and obviously the other link would be in ... being known in the business as [espousing] a good understanding of what our customers were spending, types of customers, so kind of segmentation, ... frequency and spend.’
(Department store retailer).

By contrast, at a number of other retailers, the level of integration between departments was less developed and often saw location planning being regarded as a subordinate support function and little more than a provider of catchment area maps, rather than as a value-adding competitor and customer-related data and analysis function. This view from a DIY retailer was typical of this sort of response we received:

‘Throughout the business ... [catchment maps are] actually available on our intranet site, so stores can access the information – anybody in the business can access the information. So we map ... we do maps showing catchments for every store, where the customers are coming from, all the demographics, competitors, that kind of thing, so all the reports are on there’ (DIY retailer).

A similar inability to fully exploit the potential of geographical knowledge was evident at one large food retailer:

‘[I] liaise with the people in my areas in Local Marketing to make sure that they know about ... the latest competitor openings and our ... trade area maps are fairly well known throughout the business, but yeah, there is a sort of missing [marketing] link. It has been recognised that our information could be used a lot more by marketing, kind of telling them which area to kind of focus their competitor campaigns ... but we don’t really do any of that at the moment’ (Food Retailer).

Despite this, there were some excellent examples of sophisticated cross-working between the two departments on ad-hoc projects especially at some larger retailers where location planners were recognised as contributing to a spatial understanding of the implications of consumer trends. In one department store retailer, analysts aided marketers and the wider business to understand the challenges of introducing the retail brand to a new location, given the long gestation period required for department store development. The location planning department had the role of leading the understanding and reflection process across the business – something critical in establishing the market orientation at the kind of local scale necessary for successful expansion (cf. Elg 2007; Rogers et al. 2005):

‘What I do more of is the sort of ... research like a year out of a particular opportunity. So, a good example is Stratford in East London. [Department Store X] is committed to the Westfield scheme at Stratford... It’s trying to do a piece of work that’s going to begin to engage the business on the challenges for a new location, so opening our brand in East London, part of a scheme that has the potential to..., for several decades ahead, be the key shopping destination, employment destination, transport hub of the whole of East London. It’s how can we engage the business here – the buyers, the commercial side, the merchandisers – in what that challenge might be, because ... we’re not surrounded with core [Department Store X] target customers in East London, so how are we going to

engage with those people, how are we going to put it into a context that, you know, we can make sensible choices' (Department store retailer).

Similarly, at a major non-food retailer, location planners combined location-specific data on stores with loyalty card datasets administered by the marketing department, to assist in intelligent customer targeting for promotional events. By capitalising on the spatial insight of geographers, marketing expenditure could be channelled to customers more likely to provide a return on that investment:

'We invite our best customers to Christmas events, and reward them with points if they spend over a threshold ... In the past, what we've always done is [identify] ... whichever store they spend the most money in. What we've now done is included some other location [analytics] ... If their store that they spend most money hasn't got the full range in, do we invite them to another store ... [and if so], what's the drive time to there? We have cut-off thresholds which say we don't want to invite people to over 15 minutes, 12 minutes, 20 minutes, and so on, so we're starting to use the location data and the understanding of the propensities to travel for absolutely some hard marketing' (Non-food retailer).

4.2 Collaborative local marketing initiatives

An important contribution of a location planning department to marketing management was in supporting a new store launch. Primarily achieved through the contribution of data and analysis concerning the local catchment of the store, analysts also provided details of the forecast trade distribution to permit more efficient targeting of marketing expenditure. Some food retailers had highly formalised procedures for achieving this, with the location planning function even providing reports to the local marketing team concerning the demographic characteristics of (and the forecast sales from) postcodes to be targeted in marketing promotions. Location planners within such firms would also recommend whether the ranging of a store should be altered to reflect (for example) the relative degree of affluence or level of ethnic representation in the customer base (cf. Campo and Gijsbrechts, 2004).

In other organisations, while there was some level of integration between the two functions, its impact was diluted through outsourcing to a third party. While there seemed to be a degree of expertise within the firm (although in practice split between the location planning and marketing teams) there was a historical legacy of relying on expertise external to the retailer in advising on local marketing:

‘we would not go as far as saying go to LA26 [postcode/zipcode] first and then downwards, but ...we’d give them [the Marketing Department.] ... the whole catchment from the gravity model, and we would also give them information, almost kind of lead them to the answer of that would be your first sector to go to. Frustratingly, we also do use ... DM [Direct Marketing] consultancies’ (Department store retailer).

While marketing theory underlines the potential inherent in target-specific ranging and customer segmentation to store catchments (Campo and Gijsbrechts, 2004), such precision is known often not to be realised in practice (cf. Quinn, 2009). For example, one food retailer, while acknowledging that communication between marketing and location planners took place, suggested that the information was not always acted upon. In part, this difficulty stems from a lack of legitimacy of the location planning function within the retail firm (cf. Wood and Reynolds, 2011a):

‘we would provide all the supporting demographic information – like is it middle, is it a value catchment, is it affluent? And then the ethnic breakdown as well, because they are starting to tailor some of their ranges, but really, not too much notice is taken at the moment. We’re still not too far from just a generic store layout, to be honest’ (Food Retailer).

Often the engagement of location planning with the wider retail business would entail engagement with multiple stakeholders including the marketing department. At times this did not just involve monitoring and assessing the retailer’s own store expansion but also the effects of competitor initiatives – be they the negative implications of competitor store development on the current portfolio or the opportunities that may come with competitor divestment of a store or wider chain. As one non-food retailer

suggested, it was essential to understand the effect of competitor store growth that could then directly contribute to competitive local marketing responses:

‘we do a lot of work for the Retail Ops [Operations Department] in trying to help them understand [store] performance.... So what we’ll tend to do a lot of is, either impact analysis, so, “Competitor X has just moved to the other side of town, used to be on the same [retail] park as us, what’s happened to my transaction sales?” ...We’ll map pre- and post- catchments and transactions, and we’ll try and look at how much of their loss of trade we can explain’ (Electrical retailer).

At times assistance to local marketing was not restricted to liaising with the marketing department at head office level, but also included working at a more localised spatial scale: with individual store managers to allow them to understand the competitive nature of their catchment and to embark on their own local marketing initiatives *independent* of head office. As one non-food retailer acknowledged:

‘We will produce a store pack, which will just lay out all of the external characteristics about their store, effectively – so how big the market is, where the catchment lies, where the competitor set is... across two or three pages for them [store managers], which is a useful document for them to have, because they can then understand what, if anything, they can do about that. There might be local marketing strategies that they can adopt... whilst local marketing activity will get run centrally... the start point for it will be locally’ (Non-food retailer).

Whilst this had the effect of empowering store managers, it might risk weakening the authority, involvement and overall understanding that the central marketing team would otherwise enjoy across the business.

4.3 Post-opening store assessment and adjustment of the customer offer

Location planners were also able to assist the marketing function following a store opening by not only appraising the accuracy of the original forecast but also – importantly for the marketing team – identifying any under-performing localities that might require further local marketing attention. Often such analysis would be combined with qualitative focus group research commissioned by the marketing department to

understand customer views concerning the store that could inform future adjustments to the product offer or store experience. However, across our sample of retailers, there were often different motivations for such post-opening reviews. Some location planning departments even engaged in retrospective assessment simply to respond to anticipated criticism from management regarding their own forecast accuracy:

‘There’s a lot to be gained from... our look-backs, and, you know, again, we’re held to the number that we generate. That’s the number that the store is supposed to do, and when it doesn’t, then... people are coming back to us, asking, “Okay, what went wrong?”’ (Discount retailer).

More sophisticated boundary-spanning location planning departments considered post-opening assessment as a more inclusive process that was focused on assessing, and potentially improving, the customer proposition, where established systematic procedures and committees could draw upon cross-departmental membership. Again, these tended to be found in larger retailers that enjoyed considerable investment into marketing and location planning, as these extracts from three interviews suggest:

‘A broad range from Operations, from Finance, from Marketing, from Store Forecasting, and Property [are included in the post-opening appraisal meeting], just to see what went best, any learnings you can have, so that helps rectify any problem [stores] ... and also, alongside that, we have an ongoing review process that tracks them for the first year, ourselves’ (General merchandise retailer).

‘Every large store that opens, its forecast is reviewed after about three months...by 12 weeks, we have reasonably robust [loyalty card] data...so you can see where it’s trading, what its market penetration is like and so on, and actually get an idea of [whether] you forecast the trade to come from the right areas, is there an area of the catchment that is underperforming...? [We would] also try and diagnose the reasons, for two reasons really: one, for our internal accuracy review, feeding back the [forecasting] learnings; and, secondly, to identify opportunities for the business to optimise the performance of that particular store. So, it’s underperforming in a certain area which is full of Asians, so actually is there anything we can do – have we got our ranges a bit wrong for that group, and can we do anything about it?’ (Food retailer).

‘We do what’s called a post-investment review...We look at how it’s performing versus how we said it would, in terms of actual numbers and the geography of the

trade, and then obviously, another step from that is to go to their Marketing team and say, well, it's not really performing in this pocket' (Food retailer).

However, such systematic and efficient reflection was mainly to be found in the larger retailers investigated. In smaller operators any learning that could potentially be gleaned from such analysis often simply did not take place due to poor communication between departments:

'some of the actions that we would recommend, you know, going back and re-marketing or can we get a new sign on this side of the building, we'll sort of take ownership of that as much as possible, but obviously it then relies on the relevant person, either Marketing or Property, to do something about it, and because we then move on to the next thing, we don't then chase that back to see if it's happened really – well, not enough anyway' (Food retailer).

Often these concerns focused on lack of resource (time and personnel) to allow a strengthening of the relationship and permit the possibility of modifications to either the store or the local marketing initiatives. However, they also underline the difficulties in identifying ownership of the roles and responsibilities that lie between the location planning/property and marketing functions.

4.4 Understanding disengagement and identifying potential solutions

It is clear that collaboration and cross-working between the location planning and marketing functions within retail businesses can pay dividends in terms of customer insight, by providing conventional marketing data with a richer spatial dimension. However, it is also evident from our interviews that, aside from some isolated examples of good practice usually within large retailers, achieving this degree of integration has proved challenging. We argue this provides evidence of the silo nature of some retail marketing departments so extensively discussed within the academic marketing literature (Aaker, 2008; 2010; Palmer and Simmons, 2010) but it also reflects the inability of location planning departments and managers to overcome their own

isolation (something also considered within economic geography recently - see Wood and Reynolds, 2011a). Many respondents expressed the desire for improved engagement across the business to harness the potential benefits that such interaction could offer. But all too often location planners were left reflecting on the *potential* rather than the actual *realisation* of synergies from such cross-working. As one non-food retailer admitted:

‘there’s a lot that location planners can extract from marketers, particularly those with customer databases and so on, and there’s a lot that location planners can help marketers with – you know, local advertising and visualising customer segments and store catchment areas ... I think that’s actually the weakest link’ (Non-food retailer).

This principally appeared to be an issue originating within the organisational structure and culture of the retail firm. When confronted with this problem, location planners recognised organisational constraints which served to limit engagement between functions:

‘We had analysts in silos in various different parts of the company ... sometimes maybe due to the analyst – it’s a cultural thing ... If they’re isolated, they don’t talk to one another’ (Electrical retailer).

In part, this reflected a view that some executives sought to “empire build” at the expense of inclusiveness and a more holistic and efficient market orientation:

‘Marketing seem very good at protecting their turf, for some reason... I’ve seen one thing in these large companies: there’s always people worried about their jobs’ (Non-food retailer).

However, the practicing geographers (location planners) were also critical of their own profession in terms of engagement with the wider business – partly due to their inability to speak “the language of marketing” in contrast to their focus on technical, quantitative data analysis. This difficulty was reflected across a number of our discussions:

‘I think the disconnect is rather more that Location Planning ... can be seen as a sort of back-room, boffin type thing that doesn’t really understand the real world of retail and isn’t out there on the coalface, so it can have pejorative associations... because it appears to be a long way from the customer and the product, whilst, in actual fact, in reality, Location Planning should be the closest thing to the customer’ (Location planning consultant).

‘the people that have been drawn to ... Site Location work are quite often analysts and they’re not the Marketing function. That’s probably the only struggle we have sometimes. So we get on better with the doers of Operations and the doers of the Property Department rather than the out and out Marketing professionals, and that’s the only drawback sometimes of the data, the number cruncher type person, but that’s an opportunity ... it’s an opportunity that you’ve got to get round’ (General merchandiser).

This has a resonance with Birkin et al.’s (2010) criticism of economic geography for its overly theoretical rather than practice-based engagement with retail forecasting. Indeed, numerous location planning managers regarded it as critical that their analysts improved their intra-organisational legitimacy to essentially “win hearts and minds” within marketing departments and across the wider business. One electrical retailer reflected on his experience over a long period of time, gradually engaging with the marketing function and seeing fruitful results:

‘you have to make an overture to Marketing and get to know the people there, [and] the people with responsibility for that function, but it does generally improve, and certainly, over my time at [this retailer], it came from a point of absolutely no contact at all to starting to use our data within their marketing plan. That’s actually very hard graft. It’s probably one of the hardest areas to crack, because they’re very used to just going out to advertising agencies and just getting very simplistic information from them and just using that. ... Sometimes I think one of the problems is perception that our data is complex’ (Electrical retailer).

It is therefore incumbent on pro-active location planning departments to represent their data in an accessible manner and to establish strong personal relationships between the marketing and location planning functions. Moreover, it is important that while these horizontal power relationships (between departments of equal standing in the firm) are considered – in addition, vertical power relations with senior managers are recognised

as being critical to build and maintain legitimacy. This was seen as essential by the location planning teams that enjoyed strong intra-firm currency – with senior managers and decision-makers involved in reviewing potential store developments at an early stage, for example through “bus trips” to potential sites, to ensure expectations concerning likely sales and development scheme quality were “managed” through the process. Of course, in addition to ensuring that location planning data and strategic recommendations are communicated clearly, legitimacy also rests on a continued focus upon accuracy. As we have argued elsewhere (Wood and Reynolds, 2011a; 2011b), ‘up-skilling’ analysts, maintaining intra-departmental best practice and continued reflection in the business of store forecasting are the cornerstones of building broader intra-firm reputation. This process also relies on analysts becoming adept at synthesising codified outputs from models and more observational insights from site visits for example that are not always easily modelled or quantified (see Wood and Reynolds, 2012).

Clearly then, a measured approach to becoming known as a reliable source of data and analysis for location-related competitor and customer-related data is not only central to fundamentally changing the nature of the location planning/marketing interface but also a pre-requisite to leveraging that expertise across the wider retail business, thereby avoiding recourse to third party assistance from outside the firm.

5. Conclusions: The Organisational Challenge of Leveraging Location Planning and Marketing Expertise

By employing a qualitative methodology drawing on discussions with approximately 40 UK location planning, property and marketing analysts and consultants, we have observed elements of good practice with close working between experts in geographical and catchment area analysis (location planners) and marketing executives. This has

manifested itself in the form of practices, ranging from local marketing and local ranging initiatives to post-opening assessments of store performance, which feed back into modifications to the retail offer. Furthermore, there were numerous examples of ad-hoc projects where a location-based perspective contributed to more efficient promotional campaigns, marketing events and the intelligent exploitation of loyalty card data (see Table 2).

Despite evidence of such good practice, these were often the exceptions. Elsewhere, we found evidence of a silo culture inhibiting the development of connections between location planning and marketing teams. Such issues have a theoretical explanation within economic geography – as economic activity is clearly relational and embedded within networks characterised by differential power relations (Jones, 2008; Yeung, 2005a). While often characterised as existing between firms, or across divisions of international TNCs, the role of such networked power and social/institutional relations may impede and affect firm efficacy in spreading and creating knowledge at an intra-firm, domestic, level also (cf. Bathelt and Glückler, 2005; Faulconbridge, 2006; 2008). As Yeung (2005b, p 321) argues,

‘firm-specific networks form the organisational basis for social actors to govern the firm. To ensure the efficacy of governing the firm, social actors engage in discursive constructions of the firm to represent their interests and legitimacy. These constructions are possible because of uneven distribution of power and the capacity to exercise power. The firm becomes a site of contested discursive practices. These contested practices, however, are fundamentally territorial because firm-specific networks are spatially embedded and the consequences of contest by different social actors are geographically specific’

As a result, many location planning departments, especially within smaller retailers, lacked the internal legitimacy within the organisation and/or the resources to leverage expertise which had the potential to affect marketing practice beyond simply advising

marketing managers on store development. To go further required a focus on “selling” the benefits of such spatially informed analysis to internal stakeholders. The ability to “market” the competencies of geographers to other departments is obviously not generally considered as an important attribute of a good analyst. Instead, there is a focus on recruiting and training spatial awareness skills, forecasting ability and familiarity with complex methodologies. Perhaps abilities in inter-departmental communication management should be given greater consideration within training and recruitment. This should be especially the case for senior managers within a location planning function who liaise extensively with high level executives within the retail firm. Indeed, addressing these deficits in vertical power structures are equally as important as addressing the mismatch in liaison horizontally between departments within the organisation.

Meanwhile, there was a perception that some marketing departments were often aloof, lacked engagement with retail marketing issues relating to store development and failed to appreciate the benefits that leveraging location planning insight could offer for improving customer propositions. We have seen that, given the rich customer, competitor and catchment data with which the location planning function is engaged, there could be clear “quick wins” to be obtained in terms of local marketing, the addition of location data to inform promotions, as well as in combining the insights of the two departments after stores had opened. Given successful retailers’ well-known focus on customer and market orientation – and the strong linkage between the two (Conduit and Mavondo, 2001) – this would appear to be necessary. Indeed, understanding changing customers and the wider environment is well known to be at the heart of marketing success – more so than ever before – and something demanding of geographical perspectives and insights:

‘Marketing efforts in today's and future marketplace are likely to succeed if they are based on close and constant monitoring of the external environment, with special attention on the frequently changing customer behaviour and needs. Competition, trends and macro environment are also elements reacquiring constant attention.’ (Constantinides 2006, p.431).

There is consequently a need to overcome the tendency toward silos within the organisation in this respect (see also Wood and Reynolds, 2011a). This underlines management academic Peter Drucker’s famous argument, over 50 years ago, which suggested that marketing ‘is the whole business seen... from the customer’s point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise’ (Drucker, 2007 [1955] p.33). Equally though, geographers’ knowledge should flow throughout the retail firm given its pre-occupation with location (Wood and Reynolds, 2012). It is necessary that silos are challenged and overcome. In part, this relies on greater agency, less prescriptive thinking and more flexible organisational structures (Palmer and Simmons 2010) along with the pro-active challenging of pervasive beliefs and norms. The focus on exploiting appropriate expertise should overcome concerns with departmental territory, as Aaker (2010, p.315) argues:

‘The solution is to develop programs and policies that will lead to cooperation and communication replacing competition and isolation. Some centralization will be needed, but a lot of progress can be made with aggressive use of teams, effective information systems, and *the ability to recognize excellence wherever it occurs, and to find ways to leverage it beyond the silo in which it appeared*’ (our emphasis).

Improving the location planning/marketing link requires a cultural change both with middle and senior management as well as within the two departments themselves.

Attaining commitment to a market orientated logic that cuts across departmental boundaries is a challenging process – not least in terms of overcoming internal political manoeuvring and resistance (cf. Harris, 2002; Harris and Piercy, 1999). Yet doing so is

worthwhile given that achieving this consensus facilitates a much closer appreciation and understanding of customers and their behaviour across competitive space.

Tables and Figures

Figure 1: Retail locational planning and decision-making

Source: Amended from Hernández et al. (1998).

Table 1: Principal site evaluation tools

Technique	Details	Indicative research literature
Experience/Experimental	“Rule of thumb” procedures often employed “on site” where the benefits of experience, observation and intuition drive decision-making.	Wood and Browne (2007); Wood and Tasker (2008)
Checklist	Procedure to systematically evaluate the value of (and between) site(s) on the basis of a number of established variables.	Lilien and Kotler (1983)
Ratio	Assumes that if a retailer has a given share of competing floorspace in an area, then it will achieve that same proportion of total sales available.	Rogers (1992)
Analogues	Existing store (or stores) similar to the site are compared to it to tailor turnover expectations	Clarke et al. (2003)
Cluster	Analysis of clusters in analogue store data to form groups and segmentation	Schaffer and Green (1998)
Discriminant analysis	A screening tool or decision aid for low value investments. Uses existing store performance to identify those variables that best explain the differences between pre-selected groups of stores. Site is then allocated to relevant turnover group.	Mendes and Themido (2004)
Multiple Regression	Attempts to define a correlation between store sales and variables within the catchment that influence performance	Silva and Cardoso (2005)
Geographical Information Systems (GIS)	Spatial representation of geo-demographic and retail data that is based on digitalized cartography and draws on relational databases’	Hernández (2005; 2007)
Spatial Interaction Modelling	Derived from Newtonian laws of physics based on the relationship between store attractiveness and distance from consumers. May operate “within” a GIS	Birkin et al. (2010); Bucklin (1971)
Neural Networks	Computer based models explicitly represent the neural and synaptic activity of the biological brain.	Kuo et al. (2002)

Source: Current study

Figure 2. Three retail market orientation processes on strategic levels of the firm emphasising areas of focus for the location planning department

<u>Concept and brand development</u> – macro-level, long term positioning		
Focus of intelligence generation	Vehicles for intelligence dissemination	Issues requiring responsiveness
<u>Aggregated consumer profiles</u>	Mutual corporate-store interactions	Positioning the corporate brand & identity
<u>Retail competition</u>	Corporate functional integration	<u>Developing store concepts & formats</u>
Data on potential suppliers	Supplier co-ordination	Building retail brands
Trends/stakeholders in society		
<u>Foreign markets</u>		
<u>Product and category development</u> – meso-level, strategic approach		
Focus of intelligence generation	Vehicles for intelligence dissemination	Issues requiring responsiveness
Market data from suppliers	Supplier relationships	Retail branded products
Broad plus in-depth consumer understanding	Communication from stores to corporate level	Assessment of supplier products and brands
Local scanner data	Corporate functional integration	Retail buying
Customer complaints	Information technology	Managing product categories
Horizontal & vertical competition		
<u>Store development</u> – micro-level, adjustments and tactics		
Focus of intelligence generation	Vehicles for intelligence dissemination	Issues requiring responsiveness
<u>Customer demographics</u>	Staff-management interaction	<u>New store location</u>
<u>In-depth shopper understanding</u>	Communication from stores to corporate level	<u>Market positioning</u>
<u>Competing local stores</u>	Local team building	<u>Store environment</u>
<u>Local government and public actors</u>	Reward systems	Training of employees
	In store supplier interactions	

Source: after Elg (2007, p.582), our emphasis

Table 2: Linkages between store development and marketing functions

Area of overlap	Detail
Local marketing (pre-store opening)	Given that the store development department forecasts trade there is scope for liaison with the marketing function to maximise the efficacy of local marketing spend by directing it to areas of forecast high trade penetration.
Post opening reviews	The assessment of trade of the store after opening compares expected versus actual sales. This can identify store forecasting problems which can generate learning points and changes to forecasting models/practices within the store development department. For the marketing function, post-opening reviews offer the opportunity to identify areas of relative under-performance and the possibility to undertake additional marketing.
Understanding customers (e.g. customer focus groups in-store, questionnaires)	This is essential across both departments and can: inform format development; gauge customer responses to new stores (and identify appropriate adaptations); understand what is driving (or impairing) store performance. All of these issues can lead to modifications and have implications for subsequent forecasting.
Understanding competitor developments and their likely effects	The location team is likely to maintain a database of competitor geography, size, opening dates, refits and future development plans (as submitted to local authority). Such data is essential in the process of planning for store development but any changes in competitors' location/size/refit status may trigger impacts on the retailer's own proximate stores. The location planning team can forecast such impacts and liaise with marketing teams regarding local marketing to mitigate against these effects.
Utilise loyalty card data to represent the current store catchment	Loyalty card data on expenditure can be expressed spatially via a GIS. This can be a powerful tool in understanding opportunities for subsequent store development and identify areas of relative underperformance that could be addressed by additional marketing.
Share geo-demographic classifications of population	Within large retailers there may be usage of recognised national classifications of population within catchments of current and potential stores (e.g. MOSAIC). This can benefit both marketing and store development in understanding the demands of customers which can then feed through into ranging (e.g. ethnicity; religion; affluence) forecasting, local marketing and store design.
Liaise in store development scheme design (visibility from road; car park arrangement etc.)	This is likely to include a wide range of actors such as operations, property, in-house town planners, location planning as well marketing to ensure all aspects are considered.

Table 3: Interview respondents by retail sector

Job title of respondent	Sector
Location Planning Manager	Food Retailing
Analyst	Department Store Retailing
Analyst	Food Retailing
Customer Analysis Manager	Department Store Retailing
Location Planning Analyst	DIY Retailing
Commercial Information Manager	Electrical Retailing
Director of Store Development	Non-food Retailing
Location Planning Manager	Food Retailing
Head of Retailing	Charity Retailing
Location Planning Consultant	Electrical Retailing
Head of Site Location Services	Location Planning Consultancy
Director	Location Planning Consultancy
Head of International Development	Location Planning Consultancy
Head of Retail Research & Consultancy	Retail Property Firm
Location Planning Manager	Electrical Retailing
Director of Retail Location	Location Planning Consultancy
Real Estate Market Research Manager	Discount Retailing
Store Forecasting & Development Manager	General Merchandiser
Manager of Distribution Strategy	Retail Banking
Retail Location Analysis Manager	Food Retailing
Country Manager	Clothing Retailing
Director of Location Planning	Food Retailing
Property & Development Manager	Sports Retailing
Property & Development Director	Opticians
International Marketing Manager	Food Retailing
Focus Group with 10 location analysts from different retailers/location planning consultancies: <ul style="list-style-type: none"> • Food Retailing (2 Analysts); • Non-Food Retailing (5 Analysts); • Location Analysis Consultants (3 Analysts) 	

NB: Interviews listed here include those that were audio recorded and fully transcribed. A number of others were conducted with executives who declined for our conversations to be recorded. In these instances, research notes were made immediately following the exchange and consequently informed the study and its subsequent findings.

Table 4: A generic hierarchy of analysis and decision-making in portfolio expansion at a retailer with an established location planning function

Procedure	Details	Actors
Store strategy development	Produce plan of optimum geography of store estate across space	Location planning department
Search for store/expansion/replacement sites	Identify potential locations for portfolio expansion	Property department
Appraisal of sites	Forecast return on investment of site Provide recommendation regarding progression (or not)	Location planning department
Decision making	Review sales forecast, likely return on investment and location planning's recommendation Place in context of wider strategic thinking Act on decision (site purchase, rental, extension, acquisition, closure, re-fascia or rejection)	Senior management of retailer Location planning department Property department Finance department
Store opening preparation	Analyse and plan for local marketing Identify marketing strategy and spatial extent of marketing coverage Identify optimum store layout and ranging for catchment	Location planning department Marketing department Space and range planning department
Post-opening assessment	Analyse trade distribution versus forecast Conduct customer research in-store to identify any operational and/or product/marketing related issues Identify solutions and learnings from analysis and implement	Location planning department Property department Marketing department Store operations department Space and range planning department

Source: Current study

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