

Location Decision-Making in Retail Firms: Evolution and Challenge

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Abstract

Purpose – The paper has three objectives: first, to reflect on the contribution of this journal to the study of retail location assessment and decision-making; second, to use the results of a questionnaire survey of retailers to assess the employment of location assessment techniques a decade since a similar survey conducted by Hernández and Bennison (2000); third, in the light of these results, to conclude what likely challenges the location planning profession will face over the next decade.

Methodology - Employs an online questionnaire survey of retailers across a range of sizes and sub-sectors.

Findings – We find that specialist location planning teams within retailers are small with established forecasting processes firmly established for new or relocated stores – indicative of less activity focused on the management of the existing portfolio or the identification of outlets within the network for rationalisation. The vast majority of site assessment techniques increased in use over the decade reflecting a greater reliance on data and analysis to inform decision-making alongside the traditional use of experience and intuition. Complementing highly technical evaluation techniques, the site visit is widely recognised as informing modelling and subsequent decision-making.

Research limitations – The survey sample is smaller and contains a greater proportion of larger businesses than that undertaken by Hernández and Bennison (2000).

Originality & value – Underlines the changes in location planning sophistication a decade on from a landmark survey. Suggests the implications of the observed changes and identifies likely developments in the profession.

Paper type: Research paper

Keywords: store location; modelling; tacit knowledge; site selection

Introduction

The *Journal's* existence has coincided with an important period of growth and professionalization in the retail sector. Nowhere more so has this been the case than in relation to retail location analysis. Indeed, the very first issue of the *Journal* discussed, amongst other things, the locational implications for retailers of planning and development in the Paris and London regions (Moor, 1973). However, in the early 1970s, the kinds of approaches and techniques which we now take for granted in developed retail markets were largely ignored or, at best, poorly understood by UK firms. The 'gut feel' of experienced operational managers was the dominant factor in reaching decisions about new sites or in developing trade forecasts (Penny & Broom, 1988).

In 1974, Dr David Thorpe, then based at the Manchester Business School before his move to become Head of Research at the John Lewis Partnership, wrote in the *Journal* about the central importance of what he called the 'external' areas from which retail firms might be expected to benefit in undertaking research, which included site selection. In doing so, he was remarkably pragmatic:

“For many retailers, research is something they undertake because they have a vague feeling they ought to do so, rather than because they anticipate any concrete benefits.” (Thorpe, 1974, p 21)

In preparing this paper, it was especially pleasing to find that David Thorpe was the first to use the *Journal* to highlight the potential of formal research in the context of retail location analysis. For Thorpe was also amongst the first in the UK directly to engage with business by taking these tools from the academic to the practitioner sphere. His work with the Retail Outlets Research Unit, and prior to that as a geographer at Durham University in the 1960s, had sought to relate a number of ideas on data collection and trade area analysis to the practical needs of retail firms. In the US, formal tools for location decision-making had, of course, already been in use for some years. Curiously, too, this was largely thanks to an individual who ‘crossed the divide’, albeit the other way: William (‘Bill’) Applebaum. Applebaum produced papers from the 1930s and 1940s on customer spotting and the analogue technique, as Chief of the Market Research Departments of the Kroger Grocery and Baking Company, and then of Boston-based Stop & Shop in the 1930s before being appointed a Lecturer on Food Distribution at Harvard University. People like Thorpe and Applebaum, and a surprisingly small number of others, have shaped the way we think about modern business location geography.

“In the early decades of the supermarket industry, when stores were still typically relatively small and leases short, sophisticated site evaluation and store location strategy received only spotty attention from the supermarket industry. As the industry was approaching maturity, this inadequate attention became a major concern, and the demand for store location research increased significantly.” (Applebaum, 1968)

Over the past thirty years, quantitative models of sales forecasting and more analytical methods have indeed become generally established within the retail sector. These have drawn upon academic experience as well as the sharing of best practice internationally (R. Davies & Rogers, 1984). It is undoubtedly true that such techniques have immeasurably improved the productivity and effectiveness of location analysis processes. However, such has been later enthusiasm for analysis that some have suggested that there may be a risk of the balancing role of experience being eroded. For example:

“While recognising the tremendous benefit that highly quantitative, technological and data-rich methods can have for ‘in-office’ decision-support ... we contend that this must not be to the detriment of thorough and methodological investigations at the level of the site visit.” (Wood & Tasker, 2008, p 1)

Striking the right balance between what we might call explicit, or codified, knowledge - as against the application of experience, intuition or ‘soft’ insights, therefore remains a continuing challenge (Clarke, Horita, & MacKanness, 2000; Clarke, Mackanness, & Ball, 2003).

This article is not intended to provide an exhaustive history of retail location analysis. Rather, we intend to undertake three somewhat more specific tasks. Firstly, we consider the *Journal's* contribution to this important field, examining and highlighting the particular contribution of a small number of authors and key ideas. Secondly, we report on a contemporary survey of location planning techniques within today's retail and related site research departments. Funded by the Nuffield Foundation, the first results of this continuing 'state of the art' review is also designed to permit a degree of comparison with earlier studies, notably that by Hernández & Bennison (2000), which appeared in Volume 28 of the *Journal*. Finally, and on the basis of our findings to date, we look forward to some of the particular challenges faced by today's location analysts.

Retail location planning reconsidered: the *Journal's* contribution

It is clear that the *Journal* has made a consistent and sustained contribution to the discussion of theoretical and practical approaches to store location decision-making and portfolio management more widely. In particular, the publication has sought to focus on maintaining a link between academic scholarship and retailing practice, with many of the historical contributions urging retailers to more critically assess their location strategies through objective analysis rather than simply 'gut feel' – typically explaining the key methodologies to employ (Poynor, 1984; Rogers, 1992; Simkin, 1990). Other work has viewed location strategy in a wider context beyond forecasting sites in isolation: as early as the mid-1970s, for example, David Walters (1974) argued that a simple focus on sales maximisation in site selection should be tempered by an appreciation of the operation as a 'retail unit system', across finance, personnel, merchandising, property and logistics management. This broader perspective, Walters maintains, should inform and ultimately affect the nature and shape of portfolio management (see similar arguments made in the early 1980s by Barnes (1981)).

The focus on improving planning and on optimising investment in the store portfolio continued with Simmons (1978) who argued that the growing focus on large store development was increasing the relative importance on (and difficulty in) the accurate forecasting of new sites:

“Now, with the advent of larger stores offering a wide range of merchandise to customers from a very much wider area, the problem [of forecasting] is more difficult. At the same time the retailer's investment in a single store has been enormously increased, his knowledge of its trading potential has diminished. If the store is a failure, the retailer is unlikely to be able to withdraw without appreciable financial loss” (Simmons, 1978, p 45).

In doing so, Simmons suggested a methodology for a thorough post-opening analysis to inform subsequent sales forecasts which could also provide important insights regarding how to improve the trading performance of the new unit.

Following the success of two practitioner conferences held in the UK in 1983 and 1984, an important sequence of four articles appeared in the *Journal* in 1984-5 which recognised the critical challenges which practitioners faced in evaluating and implementing appropriate techniques (Bowlby, Breheny, & Foot, 1984a, 1984b, 1985a, 1985b).

“Retailers are likely to find it difficult to assess the efficacy and suitability of the bewildering range of techniques offered. This article, and three to follow, attempt briefly to guide the interested but wary retailer through the technical maze.” (Bowlby et al., 1984a, p 31)

The first article explained why store location decision-making was becoming more difficult, in the context of a more complex business environment. The second looked at techniques aimed at discovering areas of the country that might have potential for new stores; so-called ‘search’ techniques. The third article discussed techniques that would forecast the likely turnover of a store on a particular site selected within the area of identified potential; (so-called ‘viability’ techniques). At the time these articles appeared, the UK retail sector was embarking upon major new store development and a move out-of-town largely unhindered by planning regulation. A focus upon search and sales forecasting was therefore an unsurprising one. Interestingly, however, the fourth and final article sought to reinforce the importance of micro-level, site-specific factors in sales forecasting as well as in evaluating existing stores:

“Given the massive investment that major retailers have tied up in existing stores, as compared to that put into each additional store, it is remarkable that so little work has done on methods of evaluating existing stores.” (Bowlby et al., 1984b, p 40)

By the end of 1980s the evolution of information technology had meant that it increasingly became employed as a practical tool for retailers to assist in analysis. In the early 1990s, Curry and Moutinho (1992), argued that - at a simplistic level - spreadsheet-based models could be powerful tools combining rule-based and qualitative knowledge, while more sophisticated use of computers could see the development of complex gravity models and expert systems. As this technology improved and reduced in relative cost, so did the usability and productivity of the tool. As Clarke and Rowley (1995, p 6) discussed, by the mid-1990s geographical information systems (GIS) possessed considerable benefits, not least in terms of the presentation of spatially referenced data in a state fit for analysis “making for easier comparisons and extrapolation of data between locations...[becoming] an important component in the armoury of DSSs available to retail managers”. In doing so, by the late 1990s, many multiple supermarket retailers were known to combine a number of methods of differing degrees of sophistication to inform their decisions (Clarkson, Clarke-Hill, & Robinson, 1996).

Despite the growing focus in the literature on complex models driven by technology capable of increasing degrees of data processing, research in the *Journal* has repeatedly provided evidence of marked differences in sophistication in practice across the retail sector. A recent paper examining location planning in charity retailing (Alexander, Cryer, & Wood, 2008) noted how operators manage and seek to expand their portfolios under considerable resource restraints. The paper noted an absence of advanced forecasting techniques in this sector which led to a “back-to-basics” approach to network planning and site analysis. Such lack of sophistication has also been noted in the *Journal* by Stephen Brown (1993), concerned at the modest extent of the research literature focused on retail location analysis at the micro-scale. This was somewhat remiss, Brown argued:

“Despite the remarkable and much-lauded latter-day advances in location modelling and geographical information systems, it must be recognized that the outcome of locational decisions ultimately rests on micro-scale considerations; that is, the appropriateness or otherwise of the precise location within the chosen city centre, regional shopping centre, inner city arterial, secondary shopping district, retail warehouse park or whatever.” (Brown, 1993, p 10)

No doubt of potential significant benefit to retailers seeking to understand the dynamics of trade at the micro-scale was a paper by Martin Davies and Ian Clarke (1994), which attempted to construct a framework for network planning. The authors devised a typology that distinguished between “shopping mission” (convenience versus comparison) and a continuum of product “size” (in terms of its bulkiness or portability) to identify specific drivers of store performance. They argued that understanding the different drivers of trade between different retail business and types of location was becoming increasingly important for retailers attempting to understand the characteristics of their portfolio:

“At a time when many retail sectors are becoming increasingly saturated and competitive, and when capital for locational investment almost everywhere is at a premium, there is little if any room for mistakes. Therefore, the ability to isolate the factors underpinning successful outlets and to use them to drive new site investment appraisals, site-finding, store merchandising, store marketing and new format development is crucial.” (M. Davies & Clarke, 1994, p 10)

The importance of making sense of micro-scale issues in location decision-making was further examined in a recent paper by Wood and Browne (2007) who – by focusing on convenience store sales forecasting – found that accurate data was often not available at this spatial scale of development and that the accepted models of forecasting were often not as applicable. Instead, they observed a relative increase in importance of the site visit at the expense of office-based analysis to identify the crucial factors not identified in conventional and established models but relevant to such formats.

Understanding the extent to which different methods of store forecasting and site assessment are currently employed is a necessary preliminary to discovering the extent to which the balance between the role of analytical modelling techniques and that of tacit knowledge and experience is in practice being struck. The *Journal* has explored these issues empirically on a number of occasions and from a variety of perspectives. In doing so, papers in the *Journal* have again focused on cutting through the theoretical versus practical divide. Simkin and colleagues writing in the mid-1980s (1985) reflected on an impressive survey of 164 retailers concerning their location assessment. Noting the division between theoretical modelling and its practical employment by retailers, they observed:

“The checklists and analogues described in the literature do occur but the more complicated mathematical techniques do not”. (Simkin et al., 1985, p 22)

In doing so, the authors suggested that while the intuitive assessment of experience was often ‘soundly based’, there was a requirement for more objective and scientific methods of data collection and evaluation. More positively, Simkin et al (1985) suggested there was a small minority of multiple retailers to be found developing methodologies to balance potentially competing elements of objective and subjective analysis.

In 1997, O’Malley & Patterson (1997) examined the relative importance placed on geodemographic and other data for site selection and store-location analysis. Based on 33 respondents from an exploratory survey, the authors found that, whilst 100% of these firms used customer and market databases, despite their widespread utilization, there was little evidence of database integration into strategic decision making. The authors attributed this to insufficient user experience or a general lack of awareness of the additional benefits to be derived. In 2000, an especially detailed exploration of the ‘art and science’ in retail decision-making was undertaken by Tony Hernández and David Bennison (2000). A mix of surveys and a series of interviews demonstrated the widespread adoption of a very extensive range of often quite sophisticated techniques – including neural networks and expert systems. This veritable methodological explosion, they concluded, reflected the growing complexity of consumer and competitive environments within which location decision-making was taking place.

A contemporary survey of location planning practice

Ten years after Hernández & Bennison’s study and a full twenty-five years after Bowlby et al’s call on retailers to adopt more rigorous analytical procedures, the authors are undertaking a study of the current state of store location analysis within retail firms. The project investigates three main themes:

1. An exploration of the extent and contemporary usage of store forecasting and site assessment techniques across UK retailing.
2. An analysis of the use of forecasting knowledge within the forecast process itself.
3. An investigation of the use of forecasting knowledge within the organisational context of the retailer or consultancy beyond site assessment, throughout the marketing function, and between employees.

The research asks a series of questions that are relevant across management studies – notably distinguishing between ‘hard’ and ‘soft’ (or ‘tacit’) knowledge. In particular, it asks how corporate information systems can cater for the inclusion of tacit geographical knowledge within decision-making processes. How is such ‘expertise’ communicated within organisations? To what extent are strategic decisions informed by ‘hard’ data rather than through intuition? How can different ‘types’ of knowledge be assimilated within decision-making and exploited? And how can dynamic interactions between different agents and knowledge management systems be characterised and enhanced?

As part of this larger investigation, we conducted an online survey in late 2009/early 2010 of retailers and selected financial and leisure services firms. Some aspects of our own survey were deliberately designed to be comparable with the earlier and fuller survey of data holdings and data users undertaken by Manchester Metropolitan University (Hernández & Bennisson, 2000). There are two caveats affecting this comparison. Our survey contained a higher proportion of larger businesses than the 1998 survey, but this was partly the result of our only contacting named individuals with overall managerial responsibility for the location planning function. Identifying these individuals can often be problematic, since they may be based in a variety of departments. In the end, our survey of named managers from 102 individual businesses produced 43% usable responses. The reader should bear in mind, too, that our investigation was conducted in a period of deep recession by which consumer spending, and therefore the retail sector, have both been particularly affected. Significant cost cutting, branch closure and rationalisation programmes have been the hallmarks of this era, bringing to an abrupt end a prolonged period of retail growth. This context will undoubtedly have had an important effect on the behaviours, attitudes and responsibilities of our respondents – or at least those who have remained in their posts.

Size and responsibilities of retail location planning teams

For all the increase in attention paid to this topic over the past 25 years, location planning teams are presently typically small in practice, according to our survey. The majority surveyed (57%) reported teams of 4 or fewer, with 10% of respondents working on their own. Only 17% of firms surveyed reported teams of 11 or more, with the majority of these to be found in the grocery sector and in financial services. The smallest teams were particularly to be found in home improvement & electrical retailing and in

charities. There appears a generally close relationship between team size and portfolio size, with the teams larger than 10 exclusively servicing portfolios of more than 500 stores. However, standouts were noticeable: one team between 2-4 in size were expected to manage a 1001-2500 strong portfolio. Of course, faster, cheaper analysis systems permit a bigger 'bang for the buck'. Even individuals can almost certainly achieve more today with the systems presently available than would have been the case for a small team as little as 10 years ago. However, we may question to what extent such arrangements are desirable for firms wishing to ensure that there is both continuity and the necessary availability of both analytical and intuitive skills. As we might expect, the larger teams appeared more self-contained, with 78% using their in-house teams to build sales forecasting models. Smaller teams, however, had a higher propensity to rely on external consultancy.

What are the activities that typically occupy the time of retail location teams? The highest proportion of involvement is reported in the contribution made to the "financial business case" for a location decision (Figure 1), encouragingly reflecting the ultimate importance of the commercial viability of any proposal. However, location planning teams appear to be less likely to be involved in more detailed considerations of setting outlet staffing levels or determining the number of facilities in outlets (such as tills or service counters). Those teams that were involved in these kinds of operational decisions, tended again to be found in grocery retailing or in financial services. But some distinctive patterns also emerged between other activities. Teams tended on average to be:

- More involved with individual stores than groups of stores or store divisions
- More involved with store acquisition and new store development than disposal, and
- More involved with relocations than refurbishments or re-fascias

**** Figure 1 about here ****

This tends to suggest that many location planning teams are still focused more upon locational considerations involving individual stores, rather than upon either subtler changes to store design (such as refurbishment or re-fascia), or changes above the level of the individual store at the group or divisional level. Having said this, there is generally much more activity in relation to areas other than new store development today than was the case in 1998. Table 1 shows that departments' management of extensions, relocations and the acquisition of groups of stores have all seen substantial increases since the 1998 survey. There may be some contextual explanations for this. We can observe that the past two years have seen greater opportunities for business acquisition which has required many location planning departments to 'run their slide rule' over a number of competitor store networks, leading to suitable, often large, groups of stores being acquired. Similarly, increases in vacancy rates may have made tactical

relocations rather than refurbishments more likely. However, the number of location planning departments claiming involvement in the acquisition or disposal of operating divisions is still very small.

**** Table 1 about here ****

Despite the increased attention given to a somewhat wider range of activities today when compared with twelve years ago, location planning teams still appear to be less likely to have *established processes* for anything other than new or relocated stores (Figure 2). This may reflect the balance of workload during the buoyant period of sales and network growth to have characterised the UK over the past few years, for example. We might expect activities conducted more frequently to be more likely to benefit from codification or formalisation. And, as we have already suggested, some of the decisions or processes involving store groups or whole operating divisions may be considered too ‘strategic’ to be left to a site planning unit. Similarly, the responsibility for delivering the executional elements of some formats (such as number of checkout lanes or staffing levels) may be allocated to the property, merchandising or human resources departments of firms.

**** Figure 2 about here ****

When we then asked about the kinds of location applications to be conducted by respondent departments, the answers served to confirm the, generally, very focused nature of departmental activities. Figure 3 ranks these applications by extent. Departments were less likely to be involved in activities outside their immediate location remit: in logistics planning, direct mail targeting or merchandise mix analysis, for example. (Although it was interesting to note that a number reported that they were and that this involvement bore little relationship to team size.) However, location planning departments across all sectors were actively involved in site selection, competitor analysis and catchment area identification: what we might regard as the ‘core’ of applications. Reinforcing the findings on the extent of decision-making activity, topics such as acquisition & merger planning and store portfolio segmentation were less likely to be practiced. There were also clear differences in sectoral focus, suggesting teams developed markedly different profiles. For example, all the teams operating in the grocery sector reported involvement in setting sales targets, catchment area identification, site screening and competitor analysis - and the majority in M&A planning. By contrast, amongst clothing retailers, only site screening was undertaken by all respondent departments.

**** Figure 3 about here ****

Location analysis techniques employed

Figure 4 shows that over the past twelve years, retailers' recourse to analytical techniques has continued to catch up with their existing heavy reliance on experience. Apart from neural networks – which had no proponents in 2010 – all techniques exhibited an increase in take-up on average, but a greater degree of focus could be discerned.

“Note that we used to use a neural network based modelling system but have moved away from it - too ‘black boxy’ and we never knew why it had come up with the numbers that it had.” (non-food retailer)

For example, the use of analogue techniques more than doubled in the period, whilst that of ratio techniques increased by only 48%. Nevertheless all techniques, apart from discriminant analysis and expert systems, were reportedly employed by more than half the respondents to our survey. This degree of concentration was particularly visible by sector, but was differentiated, and demonstrates the adage ‘horses for courses’ to which many location analysts refer. For example, the majority of grocery retailers were very focused: using just analogue, multiple regression and gravity modelling extensively – whilst only occasionally using ratio & cluster analysis – and eschewing any further techniques, other than experience. By contrast, financial services companies were more likely to use checklist, analogue, ratio and multiple regression approaches, as well as expert systems.

**** Figure 4 about here ****

We also have the opportunity to relate the use of particular techniques to the range of decision-making activity in which location planning departments are involved – and to compare this to the position in 1998. Figure 5 uses the same form of visualisation as Hernández & Bennison (2000) to make any change clearer. In 2010, what comes across most plainly is the higher concentration of technique adoption in relation to new store developments and, to a lesser extent, store replacements. Techniques are much less extensively applied in cases of refurbishment or disposal – where the use of experience accounts for the majority of the decision support. But the picture in 2010 is very substantially different from that in 1998. Particular techniques appear to have fallen out of favour as ‘across the board’ solutions: cluster analysis, for example, was reportedly used by more than 75% of firms in cases of both acquisition and disposal in 1998 and by a majority for new store development and existing portfolio management. Cluster analysis in 2010 is only seen as being ‘important’ by less than half respondents for new store development – and for little else. Similarly, checklist and analogue techniques are used in relation to fewer activities today.

Today's differential distribution of techniques can still be reconciled with the overall increase of the use of all techniques on average, shown in Figure 4. But it tells us that firms are either being more discriminating in their use of techniques, or that some techniques have fallen out of use in relation to other areas for other reasons (perhaps the focus of the past five years has been much more on new store

development and the workload has precluded technique development in other areas). This is one topic which this project continues to explore at the interview stage.

***** Figure 5 about here *****

Some further explanation of the ‘raw’ outcomes of the survey can be found by examining the extent to which respondents agree with a number of statements in relation to the balance between the use of techniques and the use of tacit knowledge, or subjective judgement, in reaching store location decisions. While these are again issues subsequently being pursued at the interview stage of the project, Table 2 summarises the responses to these statements in the questionnaire. Respondents were largely confident in their models, the research on which they are based and in their ability to use them multiply (statements 2, 3, 6 and 7). They felt confident about adjusting forecasting and analytical models where necessary (statement 5). But there was some concern over the quality of source data in models (statement 9) and about time pressure preventing effective analysis (statement 10). At the same time, an overwhelming majority of respondents also saw the critical importance of the site visit (statement 1). However, they were less in agreement over the prime importance of experience in the retail decision-making process (statement 8) and were ambivalent about the extent to which decision-making in retailing was partly an art and partly a science (statement 11). Fortunately, the vast majority were confident that the recommendations they made were accepted by the firm (statement 14)!

***** Table 2 about here *****

Of course, these are survey averages and conceal some distinctive variations. Smaller teams tended to be under more pressure and were more likely to agree that they often did not have the time to undertake in-depth analysis. Grocery retailers were more likely to use multiple techniques and to feel that they had both the time and were equipped in terms of analytical tools. Clothing retailers felt less confident that they had ‘adequate tools to produce accurate forecasts’ and were more likely to feel that they had inadequate time to conduct research.

It is worth noting that some 82% of respondents in 2010 reported using a GIS (geographical information system), compared with 53% in the 1998 survey. However, the majority of adopters still only used these systems within their own departments. Only one respondent (a grocery retailer) said that they made their GIS available across the entire organization.

Attitudes towards tacit knowledge and organizational integration

This survey was also interested in understanding the extent to which departments recognised and accommodated the tacit knowledge which is acknowledged as forming an important part in effective decision-making. Again, there is some ambivalence. We have already seen that on the one hand respondents refused to attribute a dominant role to experience in retail decision-making, but did rate it as the most adopted technique, when set against more analytical approaches. The perceived importance of factors such as the site visit also suggests that respondents were placing something of a premium on the role of judgement at the micro-level. But understanding the role of tacit knowledge is about more than just assessing the relative importance of site visits.

“We are a relatively new team which relies heavily on the experience of several key people within the team. To date, not enough has been done to share this experience. It is absolutely critical that mentoring is used more heavily to help develop the more junior people within the team, otherwise they are simply a ‘slave’ to the models as they do not necessarily have the experience to ‘sense check’ the numbers.” (food retailer)

We explored a number of dimensions of this in Table 3, by asking respondents again to react to a series of statements related to the embedding of tacit knowledge and business continuity issues. Again, there was some variance. Most respondents, for example, claimed that their departments were “good at ensuring that the knowledge of employees who leave is not lost” (statement 1). However, when we sought to find some of the elements which might demonstrate a concern with business continuity, the responses were not always consistent. For example, fewer than half the respondents acknowledged that any kind of codification of knowledge, in the form of a manual, had been developed by the department (statement 8). Similarly, techniques such as mentoring of new recruits by senior analysts (statement 6), or ‘in the field’ training (statement 9) were not universally practiced, although some good examples were to be found:

“New members of the team are mentored on the main aspects however a great deal of autonomy is afforded to them to learn for themselves thereafter and indeed ‘learn by doing’.” (clothing retailer)

Larger teams were, by definition, more likely to have regular meetings to discuss new findings and learnings, as well as engaging in mentoring. Another department reported that they had used a project framework to allow team members to explore skills development opportunities with senior colleagues. Perhaps recognising the opportunity (and the risk), 67% of respondents suggested that they ought to “spread best practice more effectively” (statement 3).

**** Table 3 about here ****

The potential for the dissemination of best practice is not just restricted to exchanges within the location planning team. Finally, we sought to explore the extent to which in some sense the tacit knowledge and abilities of the location planning team could be more widely embedded and recognised within the organization. This would not only consist of the sharing of data and findings, but also serve to demonstrate the particular skills and expertise of the team to a wider audience within the firm. More effective integration might also work to increase perceived dependence on the location planning department's activities. Logically, the biggest interdependencies were to be found between location planning departments and the property function. However, operations and marketing ran a close second and third place (Figure 6). Other departments, notably finance and business development, tended to not be involved. Given the increasingly powerful role of the finance function within retail firms and the financial consequences of the location planning process, this would seem to be a missed opportunity.

**** Figure 6 about here ****

We might expect that with greater autonomy and authority within the organization come accountability for the outcome of location-related decisions. Respondents scored 'being held accountable' highly in our survey. However, some were quick to point out that this accountability might mean a number of different things in practice. It might be tightly constrained, or might be shared with others – or, for some, might still ultimately lie elsewhere.

"I am accountable for our output (e.g. the forecast) but not accountable for the actual location decision (e.g. whether to open the store or not)."

"My contribution is a strong recommendation. Accountability lies with the operating divisions."

"Accountability is spread across all stakeholders in an investment, of which we are one part."

Conclusions: challenges facing the location planning profession

This paper has underlined the extent to which the *Journal* has maintained a close dialogue between retail location analysis theory and practice. We argue that it serves an important function given the frequent disconnect between model development within "the Academy" and its practical adoption within retail firms – something clear from previous research as well the results of our survey of retailers reported here.

More specifically, our survey of retail location planning has underlined an increasing adoption of objective assessment techniques (often used together in a complementary manner) beyond employing simple "experience" to underpin store portfolio decision-making. This positive finding reflects an ongoing trend

that can be tracked across previous similar research (cf. Hernández & Bennis, 2000; Simkin et al., 1985). However, there remain underlying issues that suggest a lack of sophistication across some tasks and competencies of portfolio management. For example, while the data suggest that established processes exist for new sites and replacement stores, these are less developed for other aspects of portfolio management (e.g. refurbishments; store extensions). As the emphasis over the next decade is likely to shift from widespread new store development to a greater focus on maintaining and improving the current portfolios of operators, developing reliable approaches to decision-making in these areas is likely to be necessary.

Complementing established office-based modelling and analysis, our data has provided evidence of the role of the site visit: with 97% of respondents suggesting it is an important element contributing to forecast accuracy. While reinforcing recent research findings (Wood & Browne, 2007; Wood & Tasker, 2008), it also emphasises how location planning relies on a mixture of codified and tacit based knowledge, rather than modelling removed from practical contexts. Providing robust but flexible forecasting procedures that combine modelled data with analyst observations is clearly challenging and one that relies on experience. How this combination manifests itself remains a challenge for retailers.

It is clear that many of the teams engaged in portfolio management are small in size. While the employment of technologically advanced techniques may reduce the need for extensive teams of analysts, this does place a significant onus on individuals - something that is more worrying when one considers the extent to which analysts feel that they do not have time to undertake in-depth analysis (see Table 2; Statement 10). Moreover, small analyst teams may ultimately mean that there is a significant sunk cost of tacit forecasting knowledge invested in very few analysts. As one respondent reflected:

“I am a ‘one man band’, so all knowledge & experience resides with one person.”

The potential effects of rapid loss of corporate memory are more pronounced given the mixed extent to which forecasting routines and procedures are codified (for example in training manuals; see Table 3; Statement 8). Finally, the tendency for small location planning teams raises questions regarding the degree to which senior management value (and are willing to support) internal specialist portfolio and catchment related expertise to inform decision-making. Additional resources diverted to location planning would likely yield greater forecast capacity and possibly improved accuracy and engagement across the retail business from teams. We speculate that there remains a challenge for the location planning profession to increase its internal legitimacy within retail organisations to achieve wider recognition of its benefits and to secure additional resource allocation.

Both this survey and similar research (Byrom, Bennison, Hernández, & Hooper, 2001; Hernández & Bennison, 2000) has underlined how data-rich many location planning departments are. However, the degree to which this data and expertise is leveraged across the wider retail organisation is more mixed (see Figures 3 & 6). This is clearly an area where location planners can have a practical role that can increase their profile within the business but one which appears to be currently competing with the “day-job” of core forecasting duties.

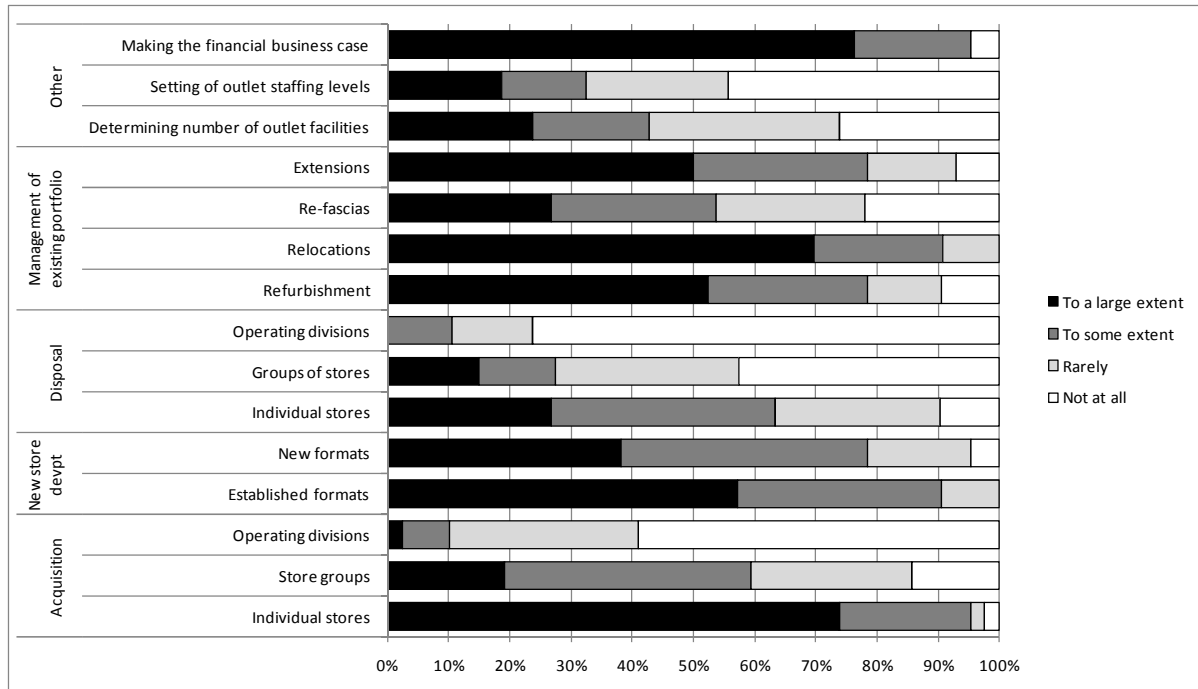
Unsurprisingly there remain some research avenues that these results suggest require closer attention:

1. We need to deepen our understanding of how are different types of knowledge from different sources balanced and mediated within the organisational context of the retail firm to produce accurate decisions concerning store development.
2. We need to understand to what degree knowledge management principles have been successfully formalised into process, techniques and “best practice” within location planning.

These issues are complex and will be addressed in the next stage of our research project in discussions with location planning analysts and managers at retail firms, as well as with independent location planning consultants to these operators. However, as we have already demonstrated, specialist location planning teams are now a firmly established feature of modern retailing, just in the way that David Thorpe and other early proponents had anticipated.

Figures and Tables

Figure 1. Extent of location decision-making activity, 2010



Sources: 2010 Survey of Location Planning Departments. Q3

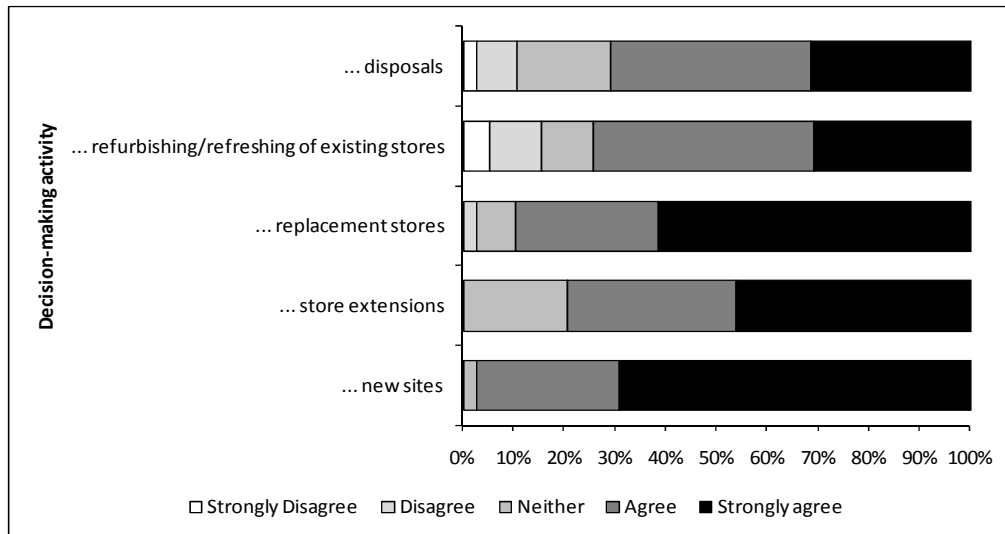
Table 1. Extent of location decision-making activity, 1998-2010

Activity	% undertaking 1998	% undertaking 2010(*)
<i>Acquisition of</i>		
Groups of stores	38	60
Operating divisions	13	10
<i>New store development of</i>		
Established formats	78	90
New formats	62	79
<i>Disposal of</i>		
Individual stores	76	63
Groups of stores	18	28
Operating divisions	7	11
<i>Management of existing portfolio through</i>		
Refurbishments	82	79
Relocations	67	91
Re-fascias	53	54
Extensions	44	79

Sources: 2010 Survey of Location Planning Departments Q3; Hernández & Bennisson (2000).

Note: (*) 1998 – “per cent of respondents undertaking this activity”; 2010 – those responding “to a large extent” and “to some extent”. Excludes “rarely” or “not at all”.

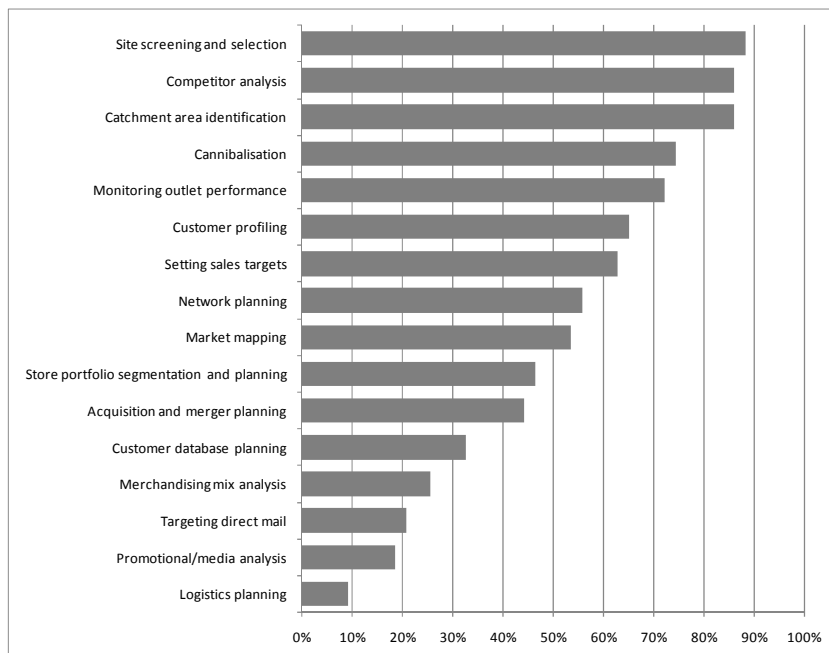
Figure 2. Extent to which established processes exist for location analysis tasks



Note: Question – “How far do you agree with the following statements? Our decision-making process is well established and structured for determining ...”

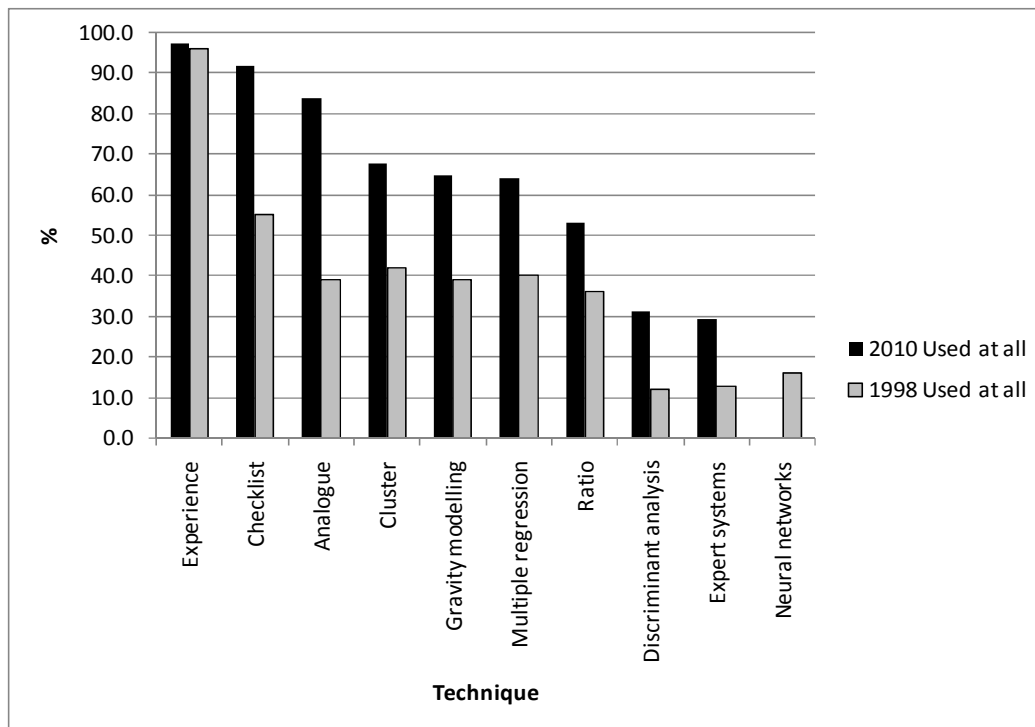
Source: 2010 Survey of Location Planning Departments. Q13

Figure 3: Extent of location applications conducted by firms, 2010



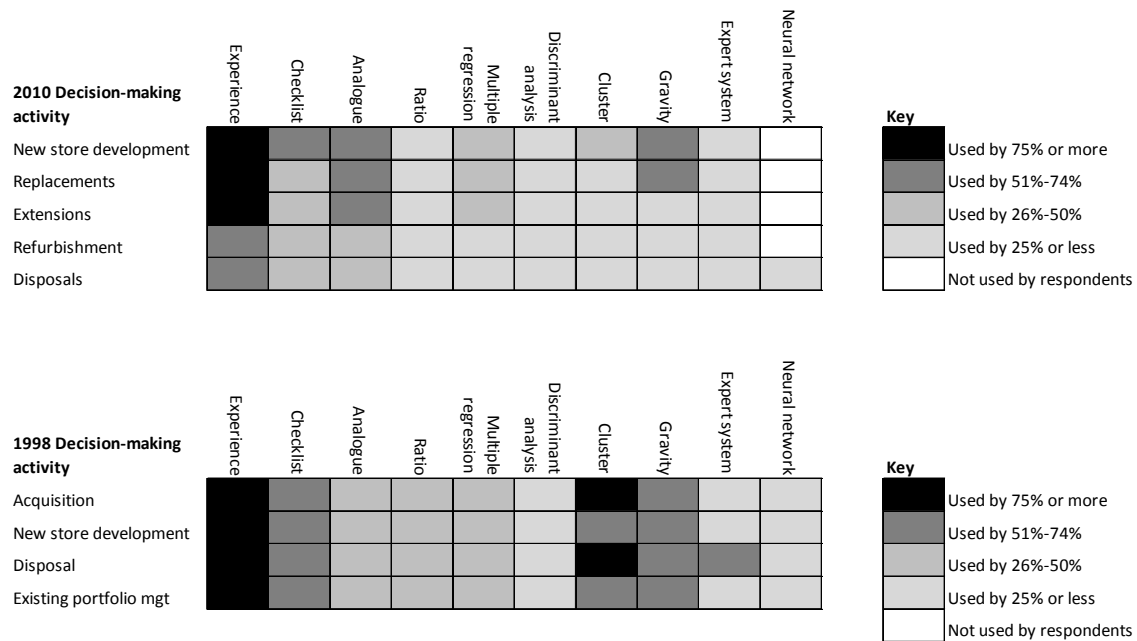
Sources: 2010 Survey of Location Planning Departments, Q4.

Figure 4: Location techniques by usage (% respondents) 1998-2010



Sources: 2010 Survey of Location Planning Departments; Hernández & Bennison (2000)

Figure 5. Percentage of companies using technique by decision-making activity, 1998-2010



Source: Hernández & Bennison, 2000; 2010 Survey of Location Planning Departments Q10

Table 2. To what extent do you agree with the following statements?

	Statement	Stongly agree/agree %	Neither %	Strongly disagree/disagree %
1	The site visit is important to forecast accuracy	97	0	3
2	Analysts understand the techniques they are using	92	8	0
3	Our decisions are based on detailed analysis and research	82	8	11
4	Multiple techniques are employed for any single forecast	79	8	13
5	Quantitative models are adjusted by analysts if they feel it is necessary	76	19	5
6	Models employed “in the office” are accurate and truthful	68	21	11
7	We have adequate tools to produce accurate forecasts	63	21	16
8	Experience is the most important factor when making decisions in the retail industry	55	34	11
9	Model accuracy is let down by inaccurate source data	49	16	35
10	We often do not have the time to undertake in-depth analysis	42	18	39
11	Site research and forecasting is more an “art” than a “science”	37	34	29
12	Site forecasting is too much focused on pressing buttons on models	21	11	68
13	Pressure is often placed on analysts to produce results which support senior management insights	16	24	61
14	The recommendations our department make are rarely accepted	0	8	92

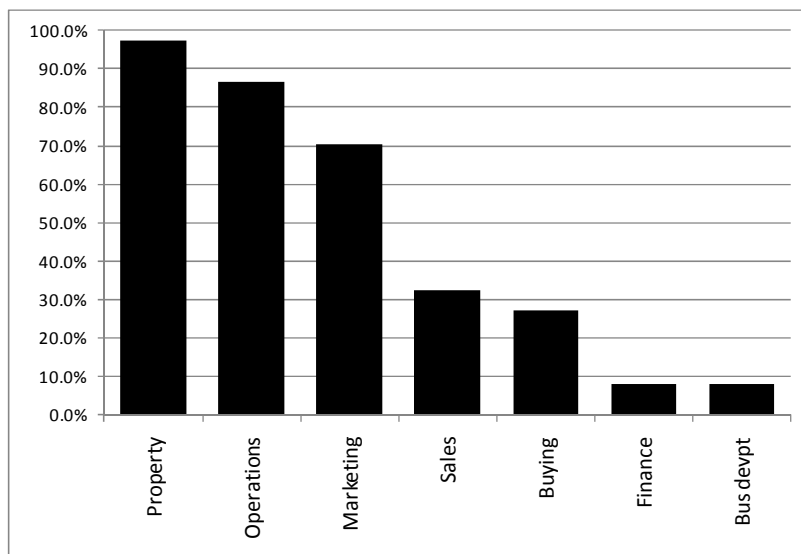
Source: 2010 Survey of Location Planning Departments, Q14

Table 3. To what extent do you agree with the following statements?

	Statement	Agree/strongly agree %	Neither %	Disagree/strongly disagree %
1	Our department is good at ensuring that the knowledge of employees who leave is not lost to the organization	75	6	19
2	Analyst experience is the fundamental resource within our department	69	11	20
3	We could spread best practice more effectively	67	14	19
4	Analysts have regular meetings to discuss new findings and learnings	58	31	11
5	Analysts are encouraged to attend location planning related events	57	29	14
6	Senior analysts act as mentors to new starters in the department	56	17	28
7	I benefit from externally sourced knowledge concerning location planning	46	31	23
8	The procedure for store location decision-making is codified in a training manual	46	11	43
9	New analysts in location planning “learn by doing”	19	16	65

Source: 2010 Survey of Location Planning Departments, Q18

Figure 6. Which departments share your data and findings?



Source: 2010 Survey of Location Planning Departments, Q15

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