# On Target

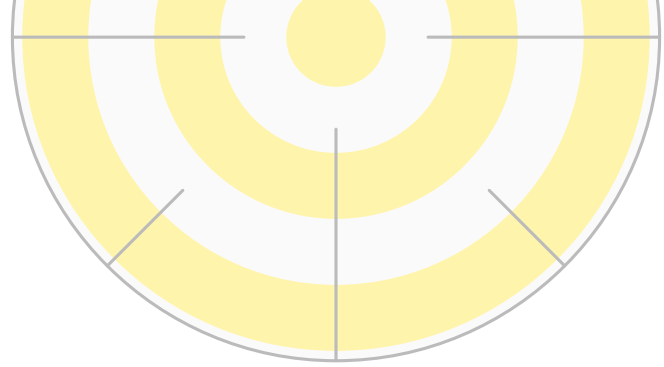
## Technology and data illuminate the site-selection process

By Steve McLinden

The "art" of retail site selection is really not so much an art anymore: Instead, it has become more of a science than ever. Gone are the days when traffic counts, co-tenancies and CEO hunches were the main determinants of that next great location for chain retailers and eateries. Today the deciders are complex algorithms, customer psychographics, supply-chain structures and geo-spatial software.

"There's more data at our fingertips than ever before," said Stephen Polanski, a senior vice president at Fort Worth, Texas–based data firm Buxton who heads the retail and restaurant consulting teams. "But the real issues are: How do we mine that data quicker to understand what consumers want, and where they want to interact with the retailer — be it brick-and-mortar, a computer kiosk or online?"

Among the data-mining innovations of recent days, the most revolutionary may well be what Ann Arbor, Mich.–



based Intalytics calls "massive mobile data": retail data derived from customer usage of in-store shopping apps. "These allow the ability to track consumer behaviors like never before," said David Huntoon, an Intalytics principal. Such information gives tracking firms the ability to support clients that have historically suffered from a shortage of customer data, Huntoon suggests. "Think restaurants," he said. Intalytics works with New York City–based Cuebiq on this program, which gets about 3.5 billion daily "pings," which track user-location coordinates from about 30 million mobile devices.

Retailers of all sizes are embracing high-powered site-selection data. In the "big" category, Dunkin' Brands has turned to Irvine, Calif.–based Alteryx to identify pockets of opportunity and track the progress of its growth plans in real time. The Alteryx program performs many functions that once took 24 hours now in only 10 minutes, explains Channing Lackland, a Dunkin' Brands market planner, in an online video. "It has also allowed us to identity relationships in data that we'd never seen before," Lackland said. The program's flexible architecture works directly with Dunkin' Brands' own data programs and then combines them in an easy-to-use interface.

In the "small" category, Buxton began analyzing customer purchases at an Oklahoma-based health-food restaurant chain called Coolgreens late last year, using data that date back to 2009.

The aim is to create a prototypical customer profile to help in finding likely patrons as the chain pursues expansion throughout Texas and beyond. The data help the chain advise franchisees seeking the best markets, Buxton says.

Organic-burger chain Bareburger signed on in 2015 for a Buxton platform called Scout, a geo-spatial customer-analytics mapping program — here again, to help identify optimal-growth markets. Since then, the chain has grown from 20 to roughly 50 restaurants, including one in Dubai, United Arab Emirates. Last year The Original Mattress Factory opted to use the Buxton analytics prescreening platform to rate possible new sites, while Great Harvest Bread Company adopted Buxton's local-store marketing tool, LSMx, to roll out its new bakery-café concept.

In a different sort of site-selection strategy, burger chain Five Guys signed on with transportation and car-services analytics firm INRIX late last year in an effort to better understand fluctuating traffic patterns around potential store sites. That mobility data tends to be "much more predictive than the more old-school methods when we're looking at who our customers are, where they're coming from and when," said Jeff Rubino, Five Guys' vice president of real estate.

Today portfolio-tweaking is less about site selection and more about profitable solutions, observers say. "The questions that we need answered are not only where we can grow, but where we can contract and how we can grow same-store sales," said Polanski. "When we help clients understand demand, that demand doesn't necessarily mean a new store; it may just mean they need to communicate better with their customers."

Fallout from the financial downturn of a decade ago, ensuing low retail-construction levels and the e-commerce explosion that followed hard afterward all caused many retailers to slow their expansion efforts, Huntoon notes. "Now the focus has turned to optimizing existing real estate portfolios," he said. Increasingly, Intalytics has been analyzing the interplay between a retailer's e-commerce and brick-and-mortar stores and the resultant impact, he says. With stores closing, the firm's sales-recapture analysis program, which helps calculate the percentage of sales a chain's remaining stores stand to recapture if one or more of the other units close, may come in handy.

Retailers can use big data for any number of other vital functions, including price optimization, risk mitigation, loss prevention, demand forecasting and trend identification. Some research firms capture "sentiment analyses" for retailers — which help predict top sellers through algorithms that analyze social-media posts and web-browsing habits. In some cases, captured consumer data can be used to protect a retailer. When a California fruit vendor warned Costco in 2014 about fruit shipments that were potentially contaminated with Listeria, Costco was able to quickly phone and text all its customers who had bought the items.

In the U.K., where 60 percent of Millennials polled say they prefer retailers that use artificial intelligence, Tesco employs real-time analytics tools such as cloud-based Apache Hadoop, which analyzes buying-behavior data designed to be accessible by any part of the organization at any time.

Data today should not only show retailers where potential customers live, but also predict where they are likely to reside throughout the lifetime of a retailer's brick-and-mortar investments, says Polanski. "That's the only way a retailer can make a true site decision," he said. These days, trade areas should be defined more by drive time and less by mileage, according to Buxton. The firm also found that

retailers using big data are two to three times more likely to target potential customers successfully than are those using less-granular methodologies which may fail to account for customer behavior, media habits and the like, the firm said.

Shopping center retail tenants are not the only ones benefiting from all this cutting-edge real estate data. New York City–based VTS, a leasing and asset-management platform, markets portfolio analytics to landlords, brokerages, tenant reps and asset managers. The firm's TRM (tenant relationship management) tool, offers landlords immediate visibility of their relationships with a given tenant portfolio-wide, plus a view of all key performance indicators. "It allows landlords to understand who their top tenants are by rentable square feet and revenue, and that helps to accelerate deal opportunities, and maximizes connections with tenants," said VTS co-founder and CEO Nick Romito. The use of such highly specific data has become increasingly critical as the industry transitions from the traditional retail model to the bricks-and-clicks hybrid, Romito says. "There has also been a philosophical shift from a property-centric industry to a tenant-centric industry," he said. "Owners and brokers have to have their fingers on the pulse of everything the tenant is doing to provide the kind of lease space they want."

VTS, which has some 7 billion square feet of commercial space in its database, rolled out its new deal-approval platform last year, for helping to address one cause of industry slowdown: the notoriously interminable leasing process. To speed things along, this tool centralizes the lease and approval processes into a single platform. "Nobody wants to spend months negotiating leases when everything else is done online," Romito said. "Leases are happening at least 30 days faster than they were before, and [landlord-tenant] relationships are getting better as a result. The goal is not just to create a deal, but to expedite it through the pipeline,"

VTS currently employs 15 people with at least 10 years of "hardcore commercial real estate experience" each, says Romito, who is included in that group. The VTS leasing and asset-management platforms are in use among 16 of the top 20 global real estate asset managers in the world, including JLL and CBRE, according to the firm.

Retail efficiency today is less about new stores and more about operational efficiencies and knowing the customers, Polanski summarizes. The retail winners today, he asserts, are those that take advantage of unprecedented access to data "to open stores in the right market with the right products, and to provide a better experience." ■

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