How to Plan for Retail Uncertainty

Inspiring retail real estate leadership when working in an environment of change
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If there’s one thing we know in retail, it’s that consumer demand has always been changing. While this constant and accelerating evolution can feel overwhelming, there are moves you can make to confidently plan for success, even in the midst of uncertainty.

Innovative thinking and creative problem solving that’s ingrained in a retail strategy are differentiating the declining retail brands from the re-inventors.

As the magnitude of change and acceleration of trends this year has forced retailers to rethink their business models, strategies to help businesses navigate change are also evolving and available to leverage for the next wave of retail leaders.

This handbook aims to inspire retail real estate professionals’ strategy and thought process by following our guiding principles when working in an environment of change:

1. Use human-centered analytics and data
2. Model new types of network performance and predict alternative growth opportunities
3. Empower leaders who imagine and anticipate change
4. Collaborate with flexible and innovative real estate partners
PRINCIPLE 1. Use human-centered analytics, data, and technology

Gone are the days when retailers could afford to build forecasting models based on some historical sales and demographics that would be updated every couple of years.

What 2020 has demonstrated to many retailers is that in a matter of weeks, demand for certain products can skyrocket instantaneously. Sales capture can shift from purely in-store to online by tenfold. Civil unrest and injustice can scar the customer experience for brands without solid social, environmental, and corporate governance policies.

The efforts that teams put into market planning can unravel overnight, and the strategies left in place are only as resilient as the datasets and tooling afforded to them. No longer can static visualizations based on historical, and sparse datasets be relied upon to drive sustainable network performance.

With constantly changing consumer markets, dynamic datasets and analytical modelling that reflect the consumer’s ever-changing reality need to be leveraged in order to adapt and plan during uncertain times.

DYNAMIC, HUMAN-CENTERED DATA

“‘Understanding your customers’ tends to be an aphorism that is thrown about in business contexts,” explains Lyden Foust, CEO of Spatial.ai.

“Historically, it has been fuzzy, hard to measure, and at best, purely anecdotal.

But during periods of economic uncertainty, ‘understanding your customer’ is no longer a nice to have. Luckily, with the datasets that exist today, this fuzzy concept has transformed into a quantitative discipline that will be crucial as we move into intelligent recovery.”

Spatial.ai organizes billions of public, geotagged social posts into 72 segments to reveal the customer attributes that predict product, retail, and brand success at the block group level.
Mobile location data is another example of data that gives retailers insight into human behaviour by looking at movement patterns. Movement patterns captured in mobile location data include visitor counts to a location, the types of people those visitors represent, and pedestrian and vehicle counts along road segments. Looking at this data during the pandemic demonstrated the foot traffic impact of temporary store closures. Conversely, mobile data also highlighted brand recovery as brick and mortar stores reopened.

Retailers leveraging adaptive datasets like Spatial.ai’s Geosocial segmentation data and Safegraph’s Mobile Location Data, alongside their standard toolbox of demographics, sales data, and competition, can better predict how to optimize their network performance in changing times.

Home Depot in response to an increase in DIY activity during the pandemic. Similarly, retailers that benefit from proximity to “Outdoor Adventures, Dog Lovers, or Farm Culture” have actually seen lift in business during these uncertain times.

Through public studies, Geosocial has identified real-time changes in an area during the Covid-19 pandemic, such as one in which researchers discovered that large metros had a huge increase in "dog lover" activity during stay at home orders - which also happened to coincide with online sales for the pet eCommerce site, Chewy.com.

These Geosocial fluctuations can be seen in the graphs below:

![Graphs showing changes in behavior during COVID-19](image)

This strategy is very location and brand dependent. Some brands using Spatial.ai data have been able to detect variables that are relevant to their predictive model going down during COVID-19, such as "live experiences".

Tapping into Geosocial behaviour helps inform brand site strategy in a post-COVID world, ranging from how to consolidate existing stores to where to find new locations that represent your post-COVID customer. For example, Geosocial data can assist in identifying locations with relevant variables that actually increase during the pandemic, such as Dog Lovers, Outdoor Adventures, and Mindfulness & Spirituality.
While navigating the uncertainty of COVID-19 lockdowns and store re-openings, the more variables and factors a retailer is considering in their analytics, the less fragile their overall strategy is and the better they can predict their network’s response to change.

ADAPTIVE ANALYTICS AND TECHNOLOGY

Great modelling can only go so far with limited or outdated data. Foust describes how demographics alone miss a critical part of the store’s indicators for success; mindsets, interests, and attitudes of the people in the catchment area since neighborhoods are fluid and demographics tend to lag.

Because Spatial.ai’s Geosocial data captures a multivariate picture of neighborhoods, retailers can differentiate a winning location from a losing location - even when both are the same using demographics. These insights are applied directly in individual scenario planning, but also as an input in predictive models.

A trend long recognized as being foundational to retail analytics this century is the adoption of machine learning (ML) technology and artificial intelligence (AI). The benefits of cutting edge tech like ML and AI are their ability to be constantly learning, iterating, and improving. Combined with datasets like mobile location data and Geosocial, which are simultaneously evolving and up-to-date, come powerful statistical models with an edge against uncertainty.

With real estate analytics, the selling point has often been that access to data and analytics takes the guess-work out of site selection, store closures, operating strategy, and so on. We agree with this statement. In fact, in these times it is perhaps more important than ever.

However, the usability and imagination of those proven models must evolve too, offering tools that extend beyond traditional concepts of growth and development. Professionals in retail uncertainty need strategies built on efficiency, longevity, creativity, and insight.
PRINCIPLE 2. Model new types of network performance and predict alternative growth opportunities

Sales forecasting models have been used for decades, and in retail, a well-understood field of practice is evaluating store success and replicating it in a geospatial platform. However, predictive modelling built to simply copy the success of a brand’s existing formula through new store growth is becoming less and less applicable as a one-size-fits all strategy. The path to success isn’t as straightforward anymore. This year’s events have demonstrated that the physical store network is forever changed, and retailers’ brick and mortar growth formula must be altered.

With the rise of e-commerce, trade areas are evolving. This dynamic should drive new types of decision making around site selection, as well as appropriate store format, merchandising choices, product assortment, marketing and advertising, hours of operation, curbside pickup or delivery options, and the list goes on.

While real estate teams leveraging demographics and competition data, alongside boots-on-the-ground research, has supported brick and mortar growth in the past, a new combination of data and interactive scenario planning must inform retailers seeking optimized performance across an evolving omnichannel network.

STORE RENOVATIONS

How are you redefining the purpose of your physical footprint to better match expectations consumers have for your store space?

Your real estate must become increasingly digital, safe and health-conscious, purposeful, and convenient.

As you strategically plan for potential changes to store format, adding or removing selling area, increasing accessibility, offering curbside pickup or delivery options, or better meeting physical distancing protocol, leverage tools that help you to predict and demonstrate how changing the specs at a site can impact your network.

STORE RELOCATIONS

Sometimes a neighbourhood might be just right for your concept, but you miss out on fully capturing the market due to poor real estate conditions: access to the center is awkward, you’re on the wrong side of the street, or updates to the unit are cost-prohibitive.

Ensure you can distinguish whether your unexpected low performance is due to the geography, versus the real estate.

While it’s easier said than done (and dependent on listing availability), if your store is already in a high potential market, try maximizing your revenue opportunity by moving it to an optimal location nearby.
STORE CLOSURES

As spending migrates online and accessing goods and services evolves, it might not make sense to have a physical presence in the same way you do now. If your business model is ripe for e-commerce and products can be delivered through alternate forms of sale, downsizing real estate may make good sense.

In uncertain economic times, capital efficiency is the organization’s North Star. Retailers are choosing to close underperforming stores. While these closures may feel like the obvious, clear-cut thing to do, there are best practices to follow when downsizing:

1) Identify the optimal locations to exit based on their future potential. Closing stores should be low performing because they struggle operationally, in addition to being located in markets where there is low potential for success.

2) Make sure to understand your sales transfer due to a store closure and where those sales will go: your sister stores or your competition.

STORE CONSOLIDATIONS

Brands that eventually right-size their network often do so as a result of growth that happened too quickly. That, or the market has changed, and the stores required to service a trade area are suddenly redundant based on updates to transit access, population change, economic health, etc. Suppose you have multiple stores within close proximity to one another.

Can you optimize your operating costs and turn around a low performing market by identifying which locations are best set up to most efficiently and creatively meet changing demand?

STORE OPENINGS

When evaluating expansion opportunities, you want to predict sales with precision and confidence by measuring incremental and mature store sales as well as the potential cannibalization to your existing network. Retailers also cannot forget to consider how their market share changes with new store openings.
PRINCIPLE 3. Empower leaders that can imagine and anticipate change

“In the midst of chaos, there is also opportunity.” - Sun Tzu

Retailers today need tools and teams that can creatively predict for challenges that are unprecedented, and leadership that can reimagine their success.

COLLABORATIVELY REDEFINING THE IN-STORE EXPERIENCE

In times of uncertainty, retailers cannot afford to have siloed efforts. Digital drivers are demonstrating an ability to inform location opportunities as much as physical site indicators and local market knowledge have in the past.

This means the omnichannel trade area and its impact on physical networks must be identified, mapped, and understood by the entire organization.

The responsibility of network performance in the past may have been heavily weighted on location performance and owned by Real Estate or Location Planning.

We believe that moving forward, network performance will involve a broader group of stakeholders. E-Commerce, Store Planning, Supply Chain, and Marketing teams have a role to play in a new normal where retailers are nimble and responsive to change.

SPOTLIGHT ON STAPLES

Staples has demonstrated huge creative capacity this year with two unique initiatives that require cross-functional teamwork.

First, a co-retailing partnership with major pharmacy brand, Rexall, to have Staples kiosk-style locations within Rexall stores.

This initiative is the ultimate demonstration of creative alternatives to traditional brick and mortar growth. The vision for the two concepts to conveniently reach their shared consumers led to this unique partnership.

Second, is in working with landlords to set up safe spaces for transactions to occur.
The coordination that is required between retailers and their customers to continue commerce during a pandemic makes it clear that taking care of the customer’s needs is a prerequisite to earning their business.

COVID-19 acts as a catalyst for other needs as well. As public scrutiny has gone up around health & safety in retail environments, so has it increased around social inclusion and racial equity in retail, responsible and sustainable product design and material sourcing, ethical management in the supply chain, good labour practices for the evolving merchant role, and strong corporate governance.

SPOTLIGHT ON STAPLES CONTINUED

In one example, Staples set up on-brand shipping containers in the parking space outside of their CF enclosed mall location to provide curbside pick-up that works safely within the measures required during a pandemic.

Having retail and real estate partners in this case proves to build resilience for Staples, as they experimented with new strategies for getting their product to their customer through new channels in a safe and convenient fashion.

In a world where consumers can purchase office supplies and materials easily online, Staples is taking big risks to prove their relevance and evolve from a standard, big-box store operating style to meeting consumers where they are.

The purpose behind the physical store space calls for imagination, collaboration, and information-sharing as the customer experience becomes increasingly digital, convenient-driven, and customized.

SETTING THE BAR FOR SAFETY, INCLUSION, AND SUSTAINABILITY

Ensuring consumers feel safe in retail spaces continues to remain front and center as a result of COVID-19. Providing appropriate physical distancing measures throughout centres, protective equipment for staff, plexiglass barriers at check-out, and touch-less checkout kiosks all took time, investment, and communication with the customer.
An optimistic outcome of the future would suggest that these values will become table stakes for long-lasting retail brands of the future. While it presents many new challenges for retail, it also is an opportunity for differentiation and earning trust and loyalty, much like brands such as IKEA, Costco, Patagonia, Everlane, and the likes have used to their advantage.

This demonstration of character helps to build consumer confidence, and is fuel for the fire as brands reimagine and develop the ingredients they need for a retail experience that is worth writing home about and coming back to, again and again.

PRINCIPLE 4. Collaborate with flexible and innovative real estate partners

Real estate spaces are not going anywhere. There is longstanding value in having a physical space for customers to experience your product. As retail-as-a-service continues to grow, the need for places to provide those services continue.

But there is a paradigm shift happening in real estate as the consumer experience goes digital, store networks change, and real estate formats evolve. Landlords leading the way are facilitating a new definition of their physical assets.

REINVENTION OF WHAT IS RETAIL

Mixed-use discussions and the general reinvention of shopping malls shows us that rather than becoming home of the retail apocalypse, landlords are willing to reinvent their spaces. Real estate is becoming increasingly collective, driven by an intersection of consumer and citizen use cases.

The best spaces are defined by inspiring architecture and spaces, exceptional food and drink, unique experiences, and a sense of community. It's why Lululemon teaches yoga classes in their stores, Freshii sells local coffee products in their stores, and food halls with locally inspired concepts will become a new normal in shopping malls.

These are all “wow” factors that consumers are looking for. Landlords that are facilitating these types of spaces and real estate advisors or brokers that know what to look for are becoming highly sought-after.
NEW LEASING TERMS

Landlords are experimenting with shorter leasing terms, negotiating with tenants who want to share space, or test a new concept. In fact, landlords in some cases are even collaboratively planning their responses to a second wave of COVID-19 with tenants, by incorporating terms for these potential events and making considerations like revenue sharing.

These variations help to turn shopping centers into dynamic destinations, where people can discover new ways of interacting with products and services and combine their retail experience with other places where they like to spend time or things on the checklist that they need to do.

With the evolution of retail and a move toward omnichannel retail strategies, landlords and developers that value the users of the space as unique contributors to their location success, rather than simply a paycheque will see increasing value of their assets, recognizing that they bring intrinsic community value and competitive differentiation rather than a traditional “tenant” relationship.

PLACE-MAKING

Reinvention of space goes beyond converting department stores and shopping malls too. This year has demonstrated to developers the value of building with an increased focus on health and safety of infrastructure, public outdoor spaces and thoughtful planning of services and amenities.

ROHIT GROUP OF COMPANIES

Rohit Group of Companies, a developer based out of Edmonton, Alberta knows what partnership looks like in leasing. Earlier this year, they partnered with ATB Entrepreneur Centre to offer a first of its kind competition for new businesses. “The Cut” competition, an initiative to help kickstart a local entrepreneur with $125K towards launching their business in Rohit’s Stadium Yards development, identified the perfect local restaurant concept for the new transit-oriented urban development.

“We’re always looking for creative ways to support our tenants, from planning mixed-use developments with complementary land uses to working together to determine fair lease terms, offering support in designing their space, or getting the word out about their business,” shares Marty Pawlina of Rohit Group.

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“When considering many factors about where to live, it’s our experience that consumers appreciate, that we’ve thought so much about them when planning our developments. We believe that the better the data, the better the development, which leads to understanding and creating what consumers demand and value” Pawlina explains further.

Rohit’s intentional, thoughtful design and passion for data makes them a best in class developer. Geosocial data is one tool they use to create communities where families thrive, with amenities that nearby Geosocial segments will value. From the messaging in their communications and marketing, to the types of amenities they plan to offer in the future, the more they can understand a consumer’s preferences, the better they can...
SPOTLIGHT ON ROHIT CONTINUED

design for them. Given the long nature of the development process, set over many years depending on scale, Rohit knows the importance of using data like Geosocial to stay in step with consumers and their preferences. This year, with Covid-19, they have seen more and more consumers place a higher value on natural amenities, and therefore they continue to focus on incorporating open spaces, parks, playgrounds, and areas to connect with nature such as ravine trails in their community planning, marketing, and development strategies.

KEY TAKEAWAYS

Human-centered data, flexible predictive tools, imaginative leadership, and innovative real estate partners will help you powerfully plan for change in times of economic uncertainty.

It’s easy to give way to the overwhelm of possibilities - both positive and negative - in times like these. Retailers that are feeling the challenge of navigating uncertain times need tools that empower them to be both creative and visionary in their new approaches to success, while staying grounded in insights that they can draw from data and analytics.

It’s been done before. The retailers that know how to weather the storm have had strategic tools and support in place to help them succeed in an evolving industry. Whether it’s experimenting with new store formats, abandoning worn-out products, adopting new technologies, leveraging new partnerships, or others; these brands learn how to capitalize on accelerated trends and find success.

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While we can’t control change, we can control our response to it.
PiinPoint is your integrated platform for network optimization and location performance.

We would love to show you how we’re supporting retailers through a time of retail uncertainty. To learn more about our suite of products and services, please contact us.

Contact

Sarah Steiner
Chief Product Officer, PiinPoint
sarah@piinpoint.com

Contributors

Lyden Foust
CEO, Spatial.ai
lyden@spatial.ai

Jack Schroder
Data Scientist, Spatial.ai
jack@spatial.ai

Marty Pawlina
Rohit Developments
marty@rohitdevelopments.ca

Notes

3 Ibid.
7 Ibid.