HOW TO OPTIMISE A STORE NETWORK FOR A NEW WORLD OF OMNICHANNEL RETAIL

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I've been optimising and analysing store-network locations for over twenty years and for the most part the requirements haven't changed significantly. Typically, the analyst identifies the existing network, the target market segment and the desired travel time for customers. With a few other constraints, and using some smart statistics, geographic gaps are identified and ranked until you have your desired optimum target locations.

Using specialist software and location data on stores, competitors and demographics, alongside the store's own sales data, one can usually devise a solid network design strategy. Broadly, the same approach is relevant for most categories of retail, with the target market and travel time being the main differentials.

Multichannel Location Analysis

Times have changed and location planning now involves designing store networks that better reflect the changing nature of retailing, with ever evolving e-commerce models offering a multitude of customer interaction points. This makes the process considerably more complicated. For many retailers, it's not enough to just consider over-the-counter sales or uniform formats for stores when designing a network for the future. Gartner identified this field on their hype cycle and highlighted "Multichannel Location Analysis" as an upcoming trend topic in its Peak of Inflated Expectations 2016.

Cutting through the jargon, Multichannel Location Analysis is basically a new approach for optimising and monitoring store networks with reference to all retail channels, considering much more than just the over-the-counter channel as was the norm in traditional network planning.

Whilst there are many good general articles on the changing face of retail in a multichannel world, few have suggested a comprehensive approach to rethinking the entire physical network based on the changing interaction requirements of the customer.

New Store Formats

Treadgold and Reynolds frame the challenge succinctly noting that, "The transformation of physical retailing from inflexible networks of conforming stores to highly diverse networks of points of engagement, some of which would not traditionally be called stores at all, presents very interesting possibilities for retailers, both traditional retailers and "new to retail" businesses". They conclude that physical stores must be conceived such that one touchpoint supports another in a total web of physical and digital engagement with the shopper at the centre.

With the rapid growth in e-commerce options, the future often points to a combination of more convenient smaller physical stores with non-inspection stock delivered or collected. In this world, larger stores are repurposed to have less retail space but more "entertainment" space to compete with online venders. To balance the smaller formats, at the other end of the scale, some analysts foresee larger destination retail/residential/leisure developments that will combine shopping with entertainment, dining and even accommodation with more residential units. Boutique gyms and fitness centres - once viewed as "pariah" tenants help transform shopping centres into "hubs of living, working and playing", attracting higher-end customers, and helping the shopping centres into themselves to become hubs for entertainment.

Changing Consumer Demands

Consumers are increasingly opting for convenience, which is supported by UK trends in H1 2017, where the fastest growing retail location type continues to be in retail parks where easy access for vehicles is supported.

Shoppers, and especially those who have grown up with online shopping, are increasingly demanding more convenience from retailers. Notably,

- They expect quicker delivery (US analysts BRP predict that 65% of retailers will offer same-day delivery within the next two years).
- Many want to collect it (Click n Collect is the fastest growing e-commerce channel in the UK).
- Others want options for collection that suit their lives (Commute 'n Collect, Parcel Collection Points, C 'n C, Ship from Store, Same Day Delivery to Office or Home).

So how do these changing consumer demands impact on the location and design requirements of physical store networks?

Retailers first need to rethink their customer interaction requirements. How and where they need to engage with them on their terms? What should each store or "point of engagement" look like? They need to assess their existing networks to assess how each location fits in with the new design, be it a hub and spoke approach or a simpler model. And they need to assess how to configure each to provide the services required at that point. For many, this may mean exiting significant amounts of space that are no longer fit for purpose. For others, it may mean sharing space with other retailers, e.g. banks in supermarkets or concessions in department stores.

What is certain is that retail location planning as a strategy has changed forever. It has become more complicated and more multi-dimensional and now requires a broader and more flexible view on the required retail presence.

Those who are evolving quickest will be able to engage best with a generation for whom convenience, flexibility and service are paramount. And ultimately those will be the ones positioned to best succeed in the retail landscape of the future.