

Geography is the glue in Retail Business Intelligence

A Mosaic & Micromarketer Case Study

Where are your customers and prospects? What do they buy - and what could they buy. How can you track, target and serve them more efficiently? Could your distribution team deliver your products and services using a more efficient route? Could your company-wide energy consumption be reduced? Which location is best for that new office, branch or warehouse? Conversely, is it time to divest some of your assets?

By adding geography to Business Intelligence all of these strategic questions can be answered. Not only that, but previously unthinkable questions can be posed. With location as the context, businesses can 'step back and see the big picture', identifying patterns and trends and modelling 'what if' scenarios, and gaining greater intelligence from their business data in both the short and long term.

Geography is, quite simply, the glue in Retail Business Intelligence.

The Co-operative Group

There are few organisations as geographically diverse as The Co-operative Group in the United Kingdom. Successfully managing this diversity would be difficult if not impossible without business intelligence based upon geography.

It is one of the most enduring truisms about business: that you can't manage what you can't measure. This is the case with The Co-operative Group – a business which is democratically run by its members but for whom profitability is every bit as vital as the most fiscally targeted organisation.

In 2007 it had an annual turnover of £9.4bn, 2,200 stores and employed 87,000 employees who together provided groceries, healthcare, travel and even funeral services across the UK. Although some of its

10 million weekly customers were web based, most were serviced via one of the country's most geographically diverse network of stores.

This, according to Stephanie Durbin-Wood, National Location Analysis Manager at The Co-operative Group, is why measurement – and Geographic Business Intelligence (GBI) in particular, is so critical for the success of the organisation.

"Our whole business depends upon how well we can model the differences between stores and use those measurements to manage effectively," she says. "There is an enormous and very obvious difference between the trading profiles of a store in the centre of Manchester and one located in the Isles of Scilly. Not only do we need to measure these differences but, more importantly, we need to develop a sophisticated understanding of what these differences mean and how to apply them to the running of the business."

For Durbin-Wood, there are two key managerial applications of this measurement data.

The first is ***to pinpoint the best areas to locate new stores as they extend their network throughout the country.***

The second is ***to optimise the commercial performance of the individual stores*** - ensuring the shelves are stocked with the right products and to create highly targeted and efficient marketing campaigns which reflect a deep understanding of their customers.

This is where we apply technology," she says. "Based on Experian's Mosaic and GIS & micro-marketing tools such as MicromarketerG3, we have access to a full range of datasets which gives us a management toolset of quite remarkable power."

Mapping the unknown

There are a number of hidden factors which can be tracked in the systems; these give Co-op extra context for better informed planning:

Hidden population such as Daytime population information will also have a major impact upon the nature of the stock sold in the stores.

Hidden areas of retail activity

Micromarketer allows Co-op to layer additional databases on the map for even greater insight, showing where there are areas of retail activity. It quantifies the opportunity based upon factors such as the size and type of retailing that is to be found there. “The great thing about this map is that it immediately provides a detailed retail context for our location analysts working in the field,” says Durbin-Wood.

Hidden traffic flow

“For a long time we puzzled over the fact that you could have two stores which appeared to be the

same in every obvious respect – and yet their performance profiles were significantly different. But now that we can map traffic flows around our stores, everything seems to make absolute sense.”

“How much individuals have to spend can also be mapped with Micromarketer as this sort of information has a distinct regional bias. And then we consider the competition – either to defend ourselves from new stores in a locality or to ensure we extend our network to areas of least competitive resistance”.

“Geography provides a single framework for all these diverse considerations. And because we use Mosaic and Micromarketer, we can combine and show all this analytical data any time, anywhere in the UK and at any required level of granularity or required reporting”.

Optimising the network with location analysis

The department that Durbin-Wood heads up is responsible for undertaking location analysis and using this data to provide strategic input to the business. She and her colleagues advise the Group as to the size of the optimum network, where old stores should be relocated and where new stores should be built. They also look at how much revenue a particular store should be generating, who it should be selling to in order to generate those revenues and how it should be marketing to them.

With over 2,200 existing stores which need to be processed her department has its work cut out. But the challenge is not merely one of volume.

GIS software, with the extra component of Business Intelligence (GBI), gives us an excellent toolset for

developing geographical models of specific locations,” says Durbin-Wood. “But a tool-set is merely that. How we use these powerful tools is absolutely key and is an art that we are constantly developing.

“In recent years we’ve been working hard to improve the accuracy of our models. The obvious factors of success produced models which persisted in being inaccurate. That was really important because it meant that there were significant gaps in our understanding of our business. We knew that if we could highlight those areas then we would be able to manage our business much more accurately. And that, in turn, would mean we could manage our business more competitively.”

Optimising the stores with Micromarketer

The most extensively used package in the Co-op analytical toolkit is Micromarketer Generation3, the latest version of the renowned geomarketing solution from Experian. It is used by over 500 organisations throughout the world to support market-led tactical and strategic decision making.

Specifically, it enables people such as Stephanie Durbin-Wood and her colleagues to profile their customers and local areas, evaluate sales versus market potential, make better informed location decisions, assess the potential of local advertising areas and target communications more effectively.

It's a complete package and draws upon a large volume of Experian's data sets in order to deliver value to the organisation. It is also integrated with Experian's award-winning Mosaic[®] customer classification and a variety of Data Packs including socio-demographic data, local economic forecasts, estimates of consumer expenditure, analysis of grocery market share, retail locations and advanced mapping data at granular levels.

It's one thing to optimise the performance of the network as a whole. Optimising the performance of each individual store is another thing entirely.

For the group to be successful it is critical that the stores market themselves efficiently and intelligently – particularly when there are increasing numbers of aggressive competitors to be reckoned with.

According to Durbin-Wood, just a few years ago the local marketing activities of The Co-operative Group were comparatively crude. "A typical campaign would consist of doing a blanket mail drop to the surrounding area," she said. "Every letterbox in every street was selected according to nothing more sophisticated than distance from the store. Not

surprisingly, our response rate, as measured by footfall through our store doors – was typically very low."

Once again the application of GBI is paying dividends for The Co-operative Group. Demographic data about the individuals surrounding a particular store, combined and augmented with information from their loyalty card scheme, now makes it possible to target marketing messages and promotions with surgical accuracy.

"Today, with Micromarketer from Experian, we can communicate the right messages to precisely the right people in the area. These tools enable us to optimise the way in which we deliver messages, allowing us to intelligently split our money between local advertising, direct mail shots and web based marketing mechanisms.

"We can apply sales performance modelling techniques to compare and analyse patterns of sales in order to make forward projections for similar sites in different locations. This in turn gives us a benchmark to optimise the performance of a particular site. We can also step back from an individual store and get an excellent insight into how the network of stores is performing as a whole.

"All of this information can then be fed back into the marketing strategy to inform the communications activities undertaken at both a national and local level. At the corporate level, it informs issues of branding and national advertising; at the individual store level it informs and influences decisions such as whether to place an advert in a local newspaper, or online."

Breadth of Application

The power of geographic intelligence has been demonstrated so powerfully with location analysis and micromarketing that The Co-operative Group has now extended its application to many other areas of the business. These include:

Food operations

GIS is used to help with the day-to-day logistics operations of supporting stores in a regional area.

Group marketing

Experian's Micromarketer Generation3 is used to profile and subsequently target customers who are also members of the Co-operative Group to ensure that they reap the full benefits from their membership.

Demographic analysis

Demographic analysis enables The Co-operative Group to segment its customers in almost any way it wishes. With a network which is so geographically diverse, this is crucial to the successful introduction of new initiatives which may well succeed in one area, yet be inappropriate elsewhere.

Property and estate management

With such a large network of stores (as well as ownership of real estate rented to other organisations) The Co-operative Group has a major portfolio of real estate to manage. GIS is applied throughout this process, including assessing the risks and threats of planning applications.

Fleet management and the funeral business

The GIS software is used to optimise the management of The Co-operative Group's fleet of hearses, ensuring that the right vehicles are in the right towns, at the right funeral parlour on the right day.

Loyalty card usage

With over three million members, The Co-operative Group's loyalty card scheme is one of the largest in the land. Mosaic coding and data enhancement is applied to this huge database to interpret catchment area trading patterns. This is refining the Group's retailing models even further.

Coping with compliance

The Office of Fair Trading (OFT) imposes a very complicated set of rules that retailers need to adhere to in order to ensure that people keep freedom of choice when new stores are built. All these rules have been programmed into The Co-operative Group's systems which enable them to support their new planning applications.

Conclusion

Einstein is quoted as saying that the secret of success is “knowing where to find the information [you need] and how to use it”. That is the principle upon which so much best business practice is based. And it is also the principle which underpins the application of GBI.

In the final analysis, after all, success for an organisation such as The Co-operative Group depends upon establishing a track record of making consistently better decisions than its competition. In this instance they have achieved that precisely because they have been able to collate the right kind of information about their business and then, by using the right kinds of geographical analysis tools, act upon that knowledge.

Their GIS and micro-marketing based technology makes the whole business of managing very much simpler. As Durbin-Woods puts it, “it creates that link between the analytic and the conceptual, enabling us to make the best decisions in a very complex world.

The great thing about mapping such complexity is it's very simple. I soon discovered that once I could make presentations to strategic decision makers based upon a map, investment decisions started to be made much more rapidly.”

For Durbin-Wood it was this strategic involvement with the board of The Co-operative Group that is the ultimate testament to the power of GBI.

“The business suddenly realised the true power of geography,” she says. “My department were given the opportunity to report directly to the senior decision makers in the organisation who were able to invest their passion, energy and finances into the whole project”.

“Today, geography lies at the very heart of strategic decision making in the business. And my department is trusted as the source for this strategic geographic intelligence.”

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To find out more about what Geo Strategies could do for your business in Romania go to - www.mosaic.geo-strategies.com

About Micromarketer

[Micromarketer Generation3](#) is not a normal GIS as it comes pre-loaded with mapping for Romania and also varied datasets including demography (gender, age, family structure, etc), population projections, essential administrative, transport and modern retail locations, detailed economic and property databases, and much more.

This powerful and easy-to-use tool for geographic visualisation, analysis and reporting integrates neighbourhood and consumer classifications for Romania, together with a myriad of pre-constructed and flexible reports aimed at the business community.

With MicromarketerG3 Romania, users can profile their customers, evaluate existing sales versus market potential, make better informed location decisions, assess the potential of local advertising areas and target communications more effectively.

MicromarketerG3's combination of software and data components, coupled with both Geo Strategies' and Experian's commitment to ongoing research and development, creates a sustainable solution, capable of responding quickly to changes in technology and the demands of our customers in Romania.

About Geo Strategies

Geo Strategies was founded in 1993 and has become the leading supplier of geographic intelligence for Central and Eastern Europe.

Their core expertise is built around geo-spatial data products, analytical and modelling tools, consumer segmentation, bespoke data services, consultancy, training, and project management. Together with Experian, Geo Strategies have developed and maintained Mosaic and Micromarketer G3 for Romania.

About Experian

Experian's Business Strategies Division is a global leader in consumer profiling and market segmentation, economic forecasting and public policy research. The Division supports policy makers and investors to make both strategic and tactical decisions in 30 countries world-wide.

