

RESETTING RETAIL STORE NETWORK IN CHALLENGING TIMES

THE CURRENT CRISIS HAS HIT RETAIL HARD AND FORCES RETAILERS TO RETHINK THEIR STORE NETWORK.

Major brands have endured widespread store closures with high level of uncertainty on the eventual sales loss during the crisis. Reopened stores are only achieving 50 – 80% of their normal sales, 300 billion USD has been wiped from offline retail sales in the first four months of 2020 in China alone. At the same time, consumers have cultivated a much stronger online shopping habit than ever before.

Undoubtedly, the virus situation is going to bring structural changes to the offline retail landscape as well as the store network of many players. Consumers will exhibit different shopping behaviours than before. Hence, how to optimize and future proof store network has become an even more critical and strategic question.

A NEXT-GENERATION AND MORE GRANULAR STORE NETWORK STRATEGY IS REQUIRED.

Questions have gone beyond: which cities to enter, how many stores and where to open these stores. Instead, the strategic questions have become:

- How would consumers shop in the future?
- What would be the role of a store?
- How well does your current store network serve your business strategy?
- Which type of catchments should you go after? Should you have differentiated propositions for top catchment vs. community catchment?
- How to determine which location is best taking into consideration a range of factors – the amount of traffic, the type of traffic, neighbours, available store size, type of landlord, rent, lease terms etc.?
- How to pre-empt competitors in strategic cities, clusters and locations?
- As some retailers vacate their locations amid COVID-19, how to best seize this opportunity?
- Which current locations are not future proof anymore given the changes in shopping behaviour due to COVID-19?

From our experience, many companies face significant challenges when trying to address these questions at a strategic level, when executing the strategy. The common challenges that they face include:

- **“I don’t have data” – Lack of good data in one place:** It is not easy to obtain complete and accurate data on cities, catchments, and malls – especially in lower tier cities; it is also not easy to have a clear understanding on competitors’ position. Your retailing and property teams might know this, but the knowledge is hard to transfer and easily outdated.
- **“I don’t know what to do with the data” – Lack of comprehensive approach to analyze and synthesize:** We are not talking about simple macro-economic data from 100 cities, which can be mapped on a 2X2 prioritization matrix. It is also data from thousands of catchments and malls, ranging from consumer archetype, brand portfolio, competitive position, etc. In this case, we need a much more comprehensive analytical and synthetic approach to maximize the value of the data.
- **“I can’t see what the data is telling me” – Lack of proper and efficient ways to visualize valuable data, analytics and insights:** At the end of day it is about the store network; you don’t need bar charts and pie charts but a map. However, pinpointing on a map is likely a painful, manual, and time-consuming process. A “slides + map” approach may work for city entry discussions (one China map), or for an annual process. Yet, imagine drilling down for a city/catchment level discussion; how much resources would be required in that case to produce tens or hundreds of “maps” every month (if not more frequently)?
- **“I can’t navigate between the macro and micro landscapes” – Hard to switch between different levels of granularity:** Sometimes what you planned at a macro level cannot be operationalized in the end. For example, there are not enough good locations in a city or catchment you target. The next generation network planning requires continuous iterations among regions, cities, catchments, and locations (street stores, department stores, malls). To get your store network strategy right, you will have to navigate across these boundaries. In most cases, the traditional “slides + map” toolbox is replaced by a continuous “zoom in” and “zoom out” function.

Store network planning has become increasingly important and complex, which makes data analytics and visualization of it critical. Asking the right strategic questions, having an up-to-date and comprehensive database, developing an analytical approach to process a large amount of data, and establishing a user-friendly interface to visualize your future network have become new and strategic competitive edge of retailers.

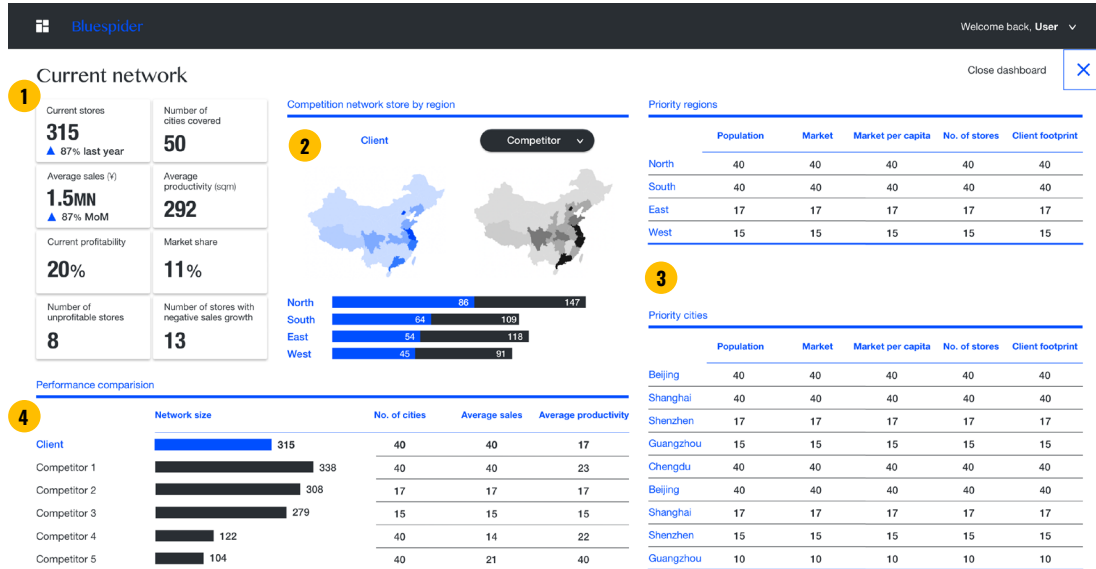
Over the years, we have developed Bluespider – a web-based geospatial analytical tool powered by our proprietary data for store network planning. It is the “mission control” center of any retailer’s store network. It is always-on and up-to-date. It offers structured and visualized analytics on your network and competitors’. It provides a seamless switch between views at different levels of granularity – from country, regions, cities, catchments to streets and malls. It complements our strategic assessment of clients’ future store footprint, enabling our clients to go beyond a ‘top-down’ assessment and develop a more concrete and future proof network strategy.

[Reach out to us](#) for more information about the next generation store network strategy.

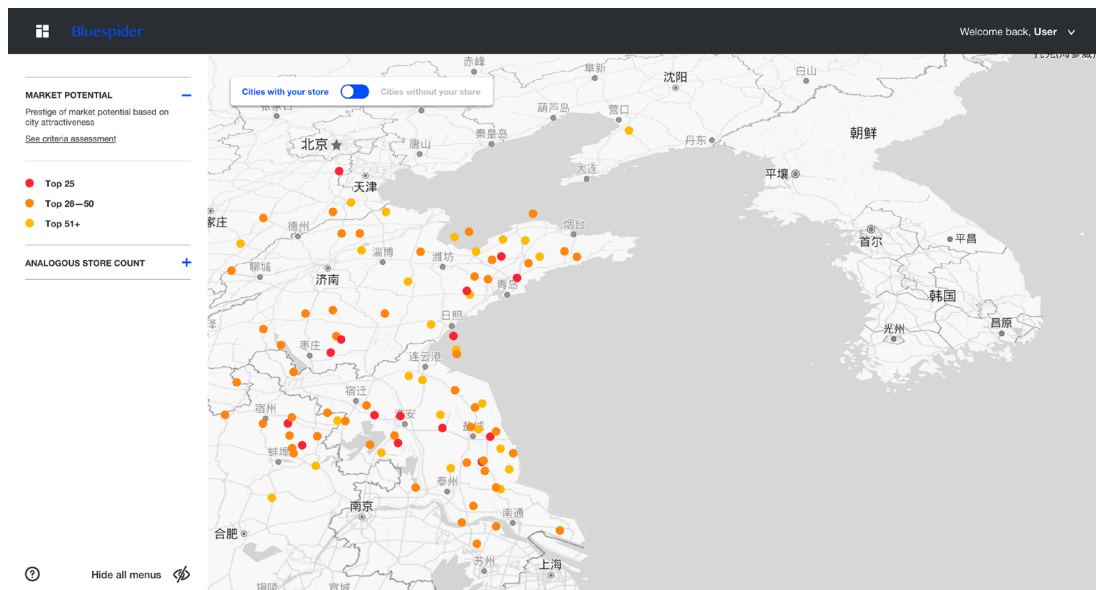
Exhibit 1. Decision decisioning — Network overview

Bluespider has an always-on dashboard covering your network, opportunities and priorities, and benchmarks against your competitors. Track your network vs. your competitors, use it to prioritize and make decisions fast, in order to stay ahead.

1. Are you **moving quick enough** towards your optimal store network?
2. Are you progressing in line with your **regional strategy**? Where should you **double-down**?
3. What's the next best city to enter?
4. How does the **size and quality** of your store network compare against your key competitors?



- Are you in the top cities in the market?
- Where is your strength?
- Where do you have room for accelerated growth?

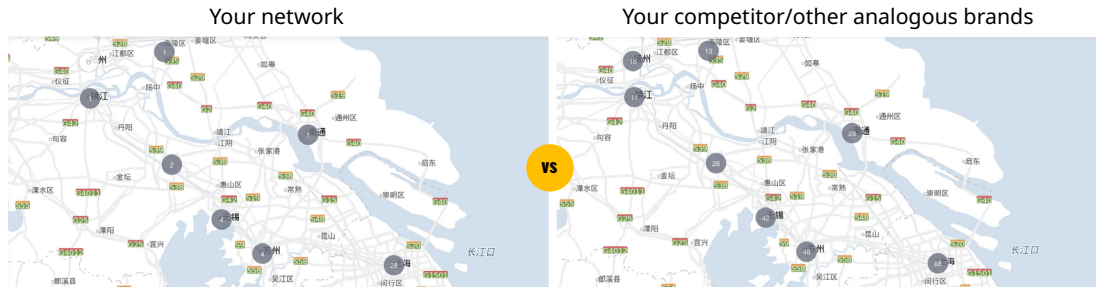


Source: Oliver Wyman

Exhibit 2. Decision decisioning — Network comparison

- “Do I have the right number of stores?”
- “Where should I close stores? Where should I invest?”

Bluespider has location data on 100+ major retail brands which lets you visually compare their network with your own.



Source: Oliver Wyman

Exhibit 3. Decision decisioning — City prioritization

Bluespider is powered by our proprietary database on 200 cities and the list is growing. This database contains a rich dataset with many factors about each city. These factors can be customized for your business, e.g. setting the weighting for each factor depending on its significance to a business.

City prioritization models are built into Bluespider which automates assessment criteria which include:

上海
Shanghai

City rating
2
(Top 10 in China)

Downtown population
21,209,000

Premium beauty spend ¥5,975 (2019)	Per capita spend ¥416 (2019)
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Key statistics

Number of stores 19 (2020)	Target number of stores 40 (2025)
Market share 15.1% (2020)	Target market share 17.8% (2025)
Store sales rank 5	E-commerce sales rank 3

No. of relevant existing shopping malls 413	No. of upcoming shopping malls 20
Number of stores from all 80 comparable brands 2530	Presence of 16 key comparable brands 100%

Zoom in >

1

Collecting and maintaining all data is an arduous undertaking especially for lower tier cities.

Building analytical models that make use of this dataset to assess three different components:

1. The attractiveness of each city
2. Their capacity in terms of optimal number of stores for our clients
3. The available locations in each city

2

3

Source: Oliver Wyman

Exhibit 4. Operational level analysis — Catchment evaluation

“How can I best pre-empt my competitors from the best locations?”

By visualising concentrations within catchments Bluespider makes it fast to identify white space and prioritize catchments. This analysis can be done using competitor brands or analogous brands.



This analysis gives key insights into which stores to close, or which new catchments or upcoming malls to enter.

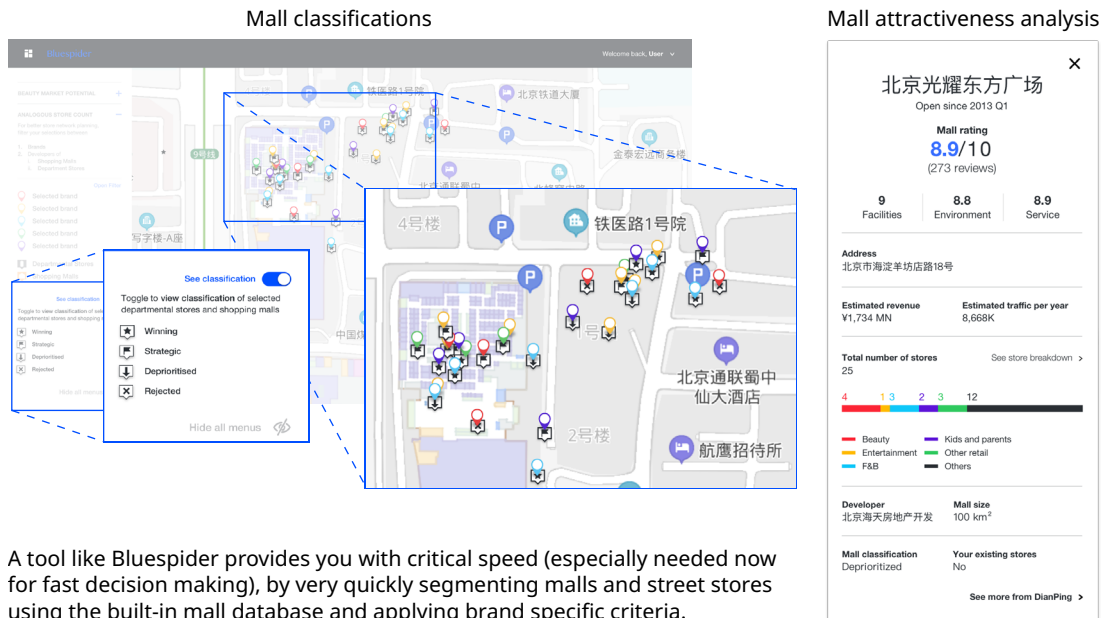
- At the operational level, retail teams use Bluespider to quickly drill-down into cities to perform detailed location analysis.
- It automates the visual analysis and allows comparing shopping malls, department stores and street locations.

Source: Oliver Wyman

Exhibit 5. Operational level analysis — Location/Site assessment

“Am I in malls with no attractive outlook?”

With built-in comprehensive data on 5000+ malls and ongoing updates, the research and prioritisation work is ready in the tool and retailers can move straight into assessing floors and units within shortlisted buildings.



A tool like Bluespider provides you with critical speed (especially needed now for fast decision making), by very quickly segmenting malls and street stores using the built-in mall database and applying brand specific criteria.

Source: Oliver Wyman

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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