Retail Sales Forecasting: Using Spatial Analytics to Identify New Market Opportunities

Case History

Category: *Fashion Retailing*

Methods: *Retail Store Location Analysis, Spatial Analytics, Geographic Information Systems (GIS)*

Summary

A national retail apparel chain sought help from Decision Analyst in identifying new market opportunities. The chain felt that major metropolitan areas offered limited growth opportunities, and wondered if smaller towns might be viable for its retail stores. Decision Analyst combined survey research, competitive analyses, and geographic analyses and modeling to forecast sales of new stores in smaller markets.

Strategic Issues

As a starting point, this major national retailer asked Decision Analyst to evaluate a specific smaller market. The geographic market under consideration presented many unknowns for the retailer in being a smaller "micropolitan" area with a population of approximately 150,000 persons. Prior to this "opportunity," the retailer's location strategy had been confined to larger metropolitan markets, where they were positioned with multistore programs in enclosed malls. The smaller market stood to differ in terms of shopper behavior, competitive climate, consumer attitudes, fashion awareness, advertising media, etc.

Research Objectives

The first objective of this research was to assess consumer attitudes toward the retailer and determine if residents would "accept" the new store concept in their market. If this proved positive, the second objective was to determine the level of sales the store could achieve at the proposed location within the market.

Research Design and Methods

For this project Decision Analyst utilized its strengths in consumer survey research as well as Spatial Analytics. The initial phase of the project focused on gaining insight into consumer behavior and attitudes toward the retailer. Surveys were conducted with 300 local shoppers using Decision Analyst's proprietary

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American Consumer Opinion® Online panel. Respondents were questioned about brand awareness, store preferences, shopping behavior and shopping frequency, annual spending habits on fashion apparel, and media habits.

The Spatial Analytics phase of the research extended the analysis to the specific location under consideration. Utilizing our Geographic Information System (GIS) technology, a trade area was carefully delineated for the location based on its spatial relationship to surrounding markets, topography, the regional road network, population growth patterns, and competitive influences. Within this trade area, competition and demand factors were carefully analyzed to determine feasibility and predicted sales volume for the new store.

Results

The results of the survey proved to be supportive of the new store. In fact, the respondents actually possessed a slightly higher awareness of the store brand than the retailer anticipated, and more positive attitudes toward the store brand—despite having a more moderate income level than their metro area customer profile.

Based on the survey results, GIS analysis, market knowledge, and field observations, Decision Analyst determined that the trade area for the store actually extended beyond the census-defined "micropolitan" boundaries. In fact, what the retailer initially viewed as a market of 150,000 people was actually a broader trade area of almost 200,000 residents that included a number of smaller outlying communities. Incorporating the survey results on household spending within this merchandise category, we were able to accurately gauge the depth of market support and develop an accurate sales forecast for the store.

Encouraged by these findings, the retailer is further examining the broader store rollout potential across the "micropolitan" market landscape in the U.S.

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