

Site Seeing

By Elaine Misonzhnik

Aug 1, 2006 12:00 PM

Before Apple Computer Inc. launched the first of its wildly successful stores in McLean, Va., in May of 2001, George Blankenship, then head of the company's real estate division, sat down with executives at Asterop, Inc., a site selection software provider, to talk about location strategy. Careful not to repeat the mistakes of Gateway, a business rival whose brick-and-mortar retail venture proved to be an under-thought fiasco, Apple turned over its customer files to Asterop and asked the location intelligence provider to analyze what markets it should target.

"It was a very big step for Apple and if you have [in-depth market] information in a report, as well as a map, it really helps the board of directors because it's an objective third party looking at this," says Kathryn A. Huber, president of Asterop. "In retail, the cost of one bad store is huge."

A few years later, retailers are lining up to choose site selection services, fueling the growth of an entire industry. In addition to Asterop, there is MapInfo, SRC, geoVue, Buxton, Prediction Analytics, Sites USA and others. Even the CoStar Group, historically a provider to the office and industrial sectors, launched a retail product line this May. But such an abundance of choices raises an existential question — how do you know that any one of these providers is better than the rest? Ikea, Borders Group and Home Depot, for example, like MapInfo. BJ's Wholesale Club and Big Lots have chosen geoVue. Rite Aid uses Prediction Analytics. PetsMart works with Sites USA, while The Container Store and Pier 1 Imports prefer Buxton.

According to Steve Greene, chief operating officer of Camille's Sidewalk Cafe, an expanding franchise that is working with Prediction Analytics, the real value of a site selection service is not that it can pick a good site — an experienced real estate professional can do that as well — but that it can compare two locations that look equally good. The software can give you income, population and other demographic growth trends helping show why one might be more profitable than another.

"Let's say there is another site we are just not sure about, but we think it might work," Greene explains. "What we'd like to find is not the very best site, but the almost perfect site that has lower rents and maybe a better chance at succeeding."

In fact, some real estate brokers use several site selection services in tandem to take advantage of the best features of each. Cliff Molloy, co-chair of GVA Worldwide's Retail Practice Group, relies on MapInfo for customized maps, geoVue for site photos, Sites USA for demographics information and CoStar for traffic counts.

"We use [a number of services] to put together all of the information a client needs," Molloy says. "They all do some things well and some things not so well. So we use them all."

Mark Zygmontowicz, managing director of analytical services sales with MapInfo Corp., believes it's hard to choose a clear winner when it comes to intelligence providers. The differences in the quantity and quality of data are negligible.

For example, SRC, Buxton and Asterop all incorporate psychographics into their platforms. Another supposed point of distinction — drive times based on actual road networks, not just on nebulous radius projections — has popped up in multiple software packages as well.

"You are going to hear a lot of the same vernacular," Zygmontowicz says. "The main difference between providers in this industry is their reputation and the length of time they have been in business. Anybody can grab a demographic file; it's what you do with it that matters."

Not that MapInfo is ready to cede the title of market leader to one of its rivals. The company, one of the oldest on the scene, in operation since 1986, claims that it provides the most in-depth site selection analysis and is adept at using

psychographic data to match retailers with their optimal locations.

"It all starts with understanding the customer. It's lifestyle information, measuring the relationship of the contribution the customer makes to the retailer based on lifestyle composition," Zygmuntowicz explains. "What sort of interests do these customers have, what sort of leisure activities do they pursue. It gives a rounded profile of the customer as opposed to strictly demographic-based analysis."

In fact, it seems that the best way to differentiate the players is by what they do beyond the software. Some offer consultancy services on top of their data and technology.

Buxton, for example, has a track record serving as a retail consultant in urban planning initiatives. Through its CommunityID product, the company has helped Buffalo, N.Y., San Diego, Calif., McKinney, Texas and Sunnyside, Wash., determine retail strategies including what chains to target and how to reel them in.

"It's the same thing as we provide for the retailers, just kind of reverse-engineered," says Todd Walls, executive vice president of business development with Buxton. "I think we have close to 200 cities who have signed up with us, whereas our biggest competitors maybe have 10."

CoStar's foray into the retail sector is about providing immense amounts of data, including full-pan photos of 1.9 million different retail properties. It has also populated its database with every existing location for the top 3,000 retailers in the U.S. Its service is aimed both at retailers looking for new sites and for owners researching potential acquisition or development opportunities.

The company also has plans for expanded functionality in the second and third generations of its retail product, which will be unrolled in the next two years.

"For retailers, this kind of information can make or break you," says CoStar CEO Andrew Florance. "There are a lot more information requirements and a huge potential market for us."

Meanwhile, geoVue's strength is with franchises. The company helps clients figure out how large of an expansion they should undertake, where the new stores should be located, the amount of sales volume a particular franchise should be experiencing and the dangers of cannibalization within any given area.

"When you are getting into hundreds and thousands of locations, you have to be smart about where you put them," says Rudy Nadilo, geoVue's CEO. "We are the backbone of Cereality — before they even sold their first franchise, they worked with us. We helped them identify how many territories in the U.S. would help support their franchises and then we worked with them to find the specific locations. Now they make their franchisees clear any locations with us. And that's a selling point to a franchisee because nobody wants a bad location."

GeoVue is also advising Dunkin' Donuts in its current expansion and works on behalf of Buffalo Wild Wings and Friendly's.

Prediction Analytics, an Experian company, has been around the longest of any of the firms. Though officially founded in 2002, Prediction Analytics is the successor of an earlier site selection service, Pangram, which was founded in 1982. The company's vice president of sales and marketing Doug Scott describes the firm's approach as "holistic, transparent and interactive."

"You can apply first-hand knowledge of the site to make changes to the data," Scott says. "You can say 'There is a new office complex coming up down the road that will be using my customers, so I am going to increase the level of employment because I know it's there.' You have a way to combine the art with the science."


The advantage of both Asterop and SRC is that they are global companies, so a retailer who wants to enter a new market or a real estate developer angling to build a mall overseas can get the same level of information on Tokyo or Berlin as they would on Kansas City, Mo. SRC has contracts with Singular Wireless, Yum! Brands, Inc. and BP, while Asterop services Bare Essentials, Abercrombie & Fitch and Crate & Barrel.

"That's one of the powers of this technology. One of our clients is Ford Motor Company and the challenge for them has been that they didn't want to learn a different technology every time they wanted to do an analysis for a [new] country," says Olivia Duane-Adams, executive vice president of marketing with SRC.

Sites USA offers the cheapest basic service: for under \$100, you can run a program that will supply you with a map of

your chosen area and a comprehensive market report. Company president Todd Smith also puts a lot of emphasis on making it easy for customers to handle their own data.

"We have built tools that effectively look at what the retailers' needs are and then incorporate those tools to meet their [specific] demands so they don't have to rely on us for analysis," Smith says.

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