



Managing knowledge, routines and procedures within retail location decision-making

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Background

- Retail geography *in principle*
 - Research into increasingly sophisticated modelling techniques (e.g. spatial interaction models; multiple regression; neural networks)
- Retail location decision-making *in practice*
 - Techniques not always used by retailers
 - Application of techniques problematic with incomplete data
 - Challenges in retaining knowledge and continuity

(see Reynolds & Wood, in press; Hernández and Bennison, 2000)

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Background -

Balancing codified (models) and tacit knowledge (analysts)

- Explicit/codified knowledge is *‘something formal and systematic’* and *‘can be expressed in words and numbers, and easily communicated and shared in the form of hard data, scientific formulae, codified procedures or universal principles’*
- Tacit knowledge is regarded as *‘highly personal and hard to formalize, making it difficult to communicate or to share with others. Subjective insights, intuitions, and hunches ... deeply rooted in an individual’s action and experience as well as in the ideals, values, or emotions he or she embraces’*



(Nonaka and Takeuchi, 1995, p 8).

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Aims



1. How are different types of knowledge from different sources balanced and mediated?
2. To what degree can knowledge management principles be successfully formalised into process, techniques and “best practice”?



Communities of practice in location decision-making

- Communities of practice

- 'groups of people, often within the boundaries of single organizations or pre-established inter-organizational alliances, who are engaged in the same practice and who communicate regularly with one another about their activities. This communication contributes to the solution of practical problems, but, at the same time, bridges the gap between theoretical and practical knowledge'

- (Moodysson 2008, p 453).



Community of Practice (CoP)	Purpose	Actors	Boundary Spanning	Characteristics
<ul style="list-style-type: none"> • Location planning departmental CoP 	<ul style="list-style-type: none"> • Develop portfolio strategy. • Produce accurate sales forecast and recommendations. 	<ul style="list-style-type: none"> • Location planning analysts • Location planning managers 	Intra-departmental	<ul style="list-style-type: none"> • <i>Focus on technical technique development and training in focusing and assessment.</i> • <i>Discussion of results given community's wider experience and tacit knowledge.</i> • <i>Share best practice and key learnings</i> • <i>Develop forecasting techniques and models</i>
<ul style="list-style-type: none"> • Portfolio organisation CoP 	<ul style="list-style-type: none"> • Determine nature and shape of proposed development. • Organise documentation for Board level decision-making 	<ul style="list-style-type: none"> • Location planners; • Finance execs; • Space planners; • Property executives 	Inter-departmental	<ul style="list-style-type: none"> • <i>Meetings over a lengthy time period as development schemes are discussed and forecast numbers produced.</i> • <i>May be numerous iterations of a scheme as adjacent land becomes available or planning regulations influence proposed outcomes.</i> • <i>Potential for disagreement and threats to LP department's turf.</i>
<ul style="list-style-type: none"> • Portfolio decision-making CoP @ Board level 	<ul style="list-style-type: none"> • Determine strategy for development & authorise expenditure. Authorised to purchase land and initiate new development 	<ul style="list-style-type: none"> • Location planning manager; • Management from other departments (e.g. Property, Marketing, Store/Space Planning); • Senior Management. 	Inter-departmental	<ul style="list-style-type: none"> • <i>Presentation and interrogation of location planning assessment and forecasts.</i> • <i>Likely scrutiny by Senior Management.</i> • <i>Power relations centred within senior management.</i>
<ul style="list-style-type: none"> • Location planning knowledge building and networking CoP 	<ul style="list-style-type: none"> • Knowledge gathering, networking and interacting. 	<ul style="list-style-type: none"> • Location planning analysts and consultants from multiple firms 	Inter-firm	<ul style="list-style-type: none"> • <i>Meetings at conferences or seminars often facilitated by industry bodies such as Society of Location Analysis (SLA); Demographics Users Group (DUG).</i> • <i>Discussions of new techniques or latest learnings with common problems discussed.</i>

Are there limits to modelling...?

- Neural networks rejected for inability to explain output to senior management

- *“I can’t remember technically how many models were actually in it, but ...you don’t know what combination of models it’s choosing to use for a particular scenario, and even if you did know that, it would then still be very difficult to unpick why it had kicked out a particular sales number. So ...we were never that uncomfortable with the forecast accuracy...we just couldn’t explain the number, and that, as I say, was becoming more and more of a problem to me.”*

- Non food retailer



Benefits of the site visit

- To validate data held in the office
 - *“We can’t trust the GIS. It’s theoretical and that’s it. You know, in practice, on a certain road, the traffic may move at a different speed. So I will physically go out and do a drive time myself.”*
 - Sports retailer
 - *“the micro-location is so much more important than for a superstore [in terms of] really understanding how that...tiny bit of that catchment is really working, and the flows that are happening, is that much more important, but it’s harder to get just from parachuting in and out for a day.”*
 - Food retailer



Softer elements of forecasting at risk for time efficiency?

- A lack of understanding the site research job by other departments?
 - *“The Property team: we have this issue and ongoing battle with them. They’re not convinced of the need for us to go out on site. They think that should be their job and that we sit in the office and do the numbers, and give them maps and things like that.”*
 - Food retailer.



Blending the techniques to reach a decision



- Assessing the evidence – the art & science of site research?

- “the analogy I use now is, rather than an all-singing, all-dancing model, I much prefer to use a series of heuristics, series of rules of thumb, and it’s almost like a fistful of darts. ... you throw it at the dartboard, then you get a shape, and you sort of know from that shape the solution is probably somewhere inside there, so there’s a lot more smart interrogation by the analysts to say, okay, well, for this particular type of store, I don’t believe that little model quite as much as I believe that one... so it’s that mixture, which I think will always continue, of art and science in the process.”

- Non food retailer



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Art versus science – the start of the discussion



- Separate out the ‘modelled’ and the ‘observed’:
 - *“Our view tends to be that you should keep those two things [modelled data and analyst judgements] parallel and separate, that there should be a process which is mechanistic, deliberately mechanistic, which should be going on in isolation of the other more gut-feel, more experience-based approach to looking at a location, and that the two should come together at the end of the process and one should be used to challenge the other.”*
 - Director, Location Planning Consultancy



The challenge of retaining tacit knowledge

- Retaining tacit knowledge

- *“it’s mostly in our heads, which is not great, but it’s kind of a function of there not being many of us. I mean, there are bits and pieces... The bits...we do keep a record of all our output, and ...we have got training manuals and kind of “how to” guides on the technical bits of how you run a forecast and how the model works ...*

- *The bit we’re bad at kind of systematically capturing... is some of the more conversational stuff that comes out of meetings”*

- Non food retailer



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Post-opening reviews and leveraging knowledge

- The goal of a virtuous circle of learning
 - *“a better approach is a constant learning cycle, where, every time you open a new store, you surely must be able to learn something new. There must be some element that informs, you know, you, the business, the model, and even if it’s only informing on a positive affirmation point”*
 - Food retail consultant



Post-opening reviews and leveraging knowledge

- The reality of a virtuous circle of learning?

- *“We’re very affected by anyone up in [the] corporate culture. So...it doesn’t always happen, but it...in terms of formalised processes, it should be...my experience is, if it’s working well, you have documentation, post-investment documentation, where these factors are highlighted. However, in terms of how that information is then used, it’s probably not used formally. It’s probably used informally by those who’ve experienced the post-investment process, so in actual fact, although that data exists, it might be lost in the sea change, interestingly.”*

- Non food retailer



The challenge of gaining legitimacy

- Lack of independence of location planners
 - *“I don’t know if it’s a typical Property mindset, but they’ve already got their own answer anyway. They know what they want, and if they’re trying to push a site forward, they’re going to push the site forward”* - Non food retailer
- Excluded from the process
 - *“[Our head of team is] trying to get them to agree to let him be present at the [decision-making] meeting, because currently he’s not, and we don’t get a copy of the minutes, so we don’t know whether it’s been approved, whether they agreed our sales number, or whether they approved it on their own number. We don’t know whether our reports get edited”* - Food retailer



The challenge of gaining legitimacy



- Needs to shed disconnected image

- *“Location Planning is...can be seen as a sort of back-room, boffin type thing that doesn’t really understand the real world of retail and isn’t out there on the coalface, so it can have pejorative associations because ...it appears to be a long way from the customer and the product, whilst, in actual fact, in reality, Location Planning should be the closest thing to the customer and understanding product performance”.*

- Location planning consultant



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The challenge of gaining legitimacy



- Avoiding isolation led to positive developments

- “I think...historically, they kept themselves in a little bit of a silo, and I’ve pushed them out of that silo, so they’re speaking to the Area Managers from day one, and the Regional Managers will come over and talk to us about a site. So I think...probably, for me, the question is how long it took for that to happen”

- General Merchandiser



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Conclusions

- Emphasises the role of organisational context
 - Location planning is more than pressing buttons
 - Data within models not always trusted
 - Experience & tacit knowledge play a role in amending models
 - Forecasting is seen as a mixture of art and science
 - Knowledge retention, best practice and learning are difficult to embed with location planning departments
 - Debate occurs within Communities of Practice across departments and between retailers
- This places an emphasis on:
 - Excellent analyst training – when to adjust the model...and how?
 - Discussion and dissemination within analyst teams concerning new knowledge and findings
 - Achieving legitimacy within the retail firm

