Location Planning in Charity Retailing

David Cryer,
Helen & Douglas House Hospice

Dr Steve Wood & Dr Andrew Alexander,
University of Surrey

Association of Charity Shops Annual Conference,
Keele University, 7th/8th July 2008
Introduction

• How is location planning for new charity stores undertaken?

• What techniques of location planning and management are adopted by retailers in the sector?

• How and to what extent are the drivers of store location in the charity sector similar to those in other sectors?
What we will cover today…

• The importance of location planning

• Location planning forecasting techniques

• A detailed examination of a charity store start-up and the location planning involved

• Highlight key and differentiating factors in charity shop location planning from conventional retailing

• Generate key learnings for charity operators
Location Planning in Retailing

Diagram showing the relationship between external environment, decision making, location management, and property portfolio.

- **External Environment**: Macro, Meso, Micro
  - Meso
  - Internal Environment (Structure/culture/finance)
    - Strategic
    - Monadic
    - Tactical

- **Decision Making**
  - Corporate and Marketing Strategy
    - Location Strategy
      - Location Mix
        - Roll-out/Extension
        - Relocate
        - Rationalise
        - Refascia
        - Refurbish
        - Remerchandise

- **Location Management**
  - Local Marketing

- **Property Portfolio**
  - Aggregate
  - Spatial Extent
  - Mkt. Penetration
  - Niches
  - Individual
  - Outlets
  - Construction
  - Acquisition
  - Modification
  - Closure
  - Functional
  - Promotion
  - Pricing

*Source: Hernández et al. (1998)*
Why investment in accurate location decision making?

- Justify decisions to stakeholders
- Increasing competition for retail sites
- Disappearance of obvious sites
- Increasing costs of location decisions
- Retailers need to know how much a site is worth to them
Facilitating factors

- Rapid rise in data availability
- Internal (e.g. EPoS data, loyalty cards)
- External (e.g. Neighbourhood and lifestyle data (MOSAIC);
- Neighbourhood and personal /household (ACORN)
- Increased availability and lower cost of computing software and hardware for data analysis
- Improvement in analysis techniques and applications e.g. Geographical Information Systems (GIS)
## A range of tools to use

<table>
<thead>
<tr>
<th>Technique</th>
<th>Details</th>
<th>Technological and data input</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience/experimental</td>
<td>‘Rule of thumb’ procedures often employed ‘on site’ where the benefits of experience, observation and intuition drive decision-making.</td>
<td>Low</td>
</tr>
<tr>
<td>Checklist</td>
<td>Procedure to systematically evaluate the value of (and between) site(s) on the basis of a number of established variables.</td>
<td></td>
</tr>
<tr>
<td>Ratio</td>
<td>Assumes that if a retailer has a given share of competing floorspace in an area it will achieve a proportionate share of total available sales.</td>
<td></td>
</tr>
<tr>
<td>Analogues</td>
<td>Existing store (or stores) similar to the site are compared to it to tailor turnover expectations.</td>
<td></td>
</tr>
<tr>
<td>Multiple regression</td>
<td>Attempts to define a correlation between store sales and variables within the catchment that influence performance.</td>
<td></td>
</tr>
<tr>
<td>Geographical information systems (GIS)</td>
<td>Spatial representation of geodemographic and retail data that is based on digitalised cartography and draws on relational databases.</td>
<td></td>
</tr>
<tr>
<td>Spatial interaction modeling</td>
<td>Derived from Newtonian laws of physics based on the relationship between store attractiveness and distance from consumers. May operate ‘within’ a GIS.</td>
<td></td>
</tr>
<tr>
<td>Neural networks</td>
<td>Computer-based models explicitly represent the neural and synaptic activity of the biological brain.</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Wood & Tasker, 2008
But what about charity retailers? (1)

- Lack of capital to invest in location decision-making tools.
- Small stores = small catchments so there is unlikely to be extensive data sets available at this spatial scale.
- ALSO...
- Other factors need to be considered in the location decision:
  - Proximity of charity retail workers
  - Challenges of the donation supply chain
But what about charity retailers? (2)

• BUT...

• Scope for the application of **basic** techniques

• Visit the site. Take time to understand the catchment
• Checklist approach
• Regression analysis
• Analogue techniques
• Use ONS data

• Possibility to acquire data from supportive organisations?
Case Study: Location decision-making and the Helen & Douglas retail operation

• 1982 - Helen House, the world's first children's hospice opened in Oxford

• 2004 - Douglas House was opened on the hospice’s existing site in order to provide additional care for young adults

• 2005 - Increasing need for income generation, to support the two Houses. HDH embarked upon a strategy to develop a chain of charity shops, building upon an existing unit that was bequeathed to the charity
Case Study: Location decision-making and the Helen & Douglas retail operation

• Entering a fairly mature charity shop market

• Within the charity’s core catchment area, there were already a significant number of well-established charity shops

• Highlights the importance of effective locational planning, as well as strong merchandising and other operational disciplines.
Case Study: Location decision-making and the Helen & Douglas retail operation

First stage: Spatial analysis and mapping of postcode data relating to the charity’s existing supporters.

- The core catchment area of the charity was found to be within a 45 minute drive time of HDH

- It focused on an area around Oxford itself and encompassed large parts of the Thames Valley, the Chilterns and Cotswolds.
• Postcode profiling of the existing supporters registered on the database.
• Over-representation of:
  o ‘young families’ compared with the national average;
  o ‘families with dependant children’
Case Study - Second stage: Initial ‘market town’ development

• Identification of the charity’s core catchment led to a search for viable locations

• Search process driven primarily by a consideration of expected customer demand for the store’s outputs.

• Target towns based upon the strength of representation in town catchment areas of the two segments of ‘young families’ and ‘families with dependent children’.

• Abingdon identified as optimum location.
GOAD plan of Abingdon, showing summary footfall data

- Identify high footfall secondary areas
- Good sales potential but lower rents
Case Study - Third stage: suburban Oxford

- Suburbs of Oxford represented a strong opportunity following initial success of market towns

- Concern over simple demographic profiling to date based on broad analysis of HDH ‘supporter’

- A more complex method was required

- Demographic profiling of three key groups:
  - Customers
  - Stock donators
  - Volunteers
ACORN Category Profile Of Shop Customers

- Wealthy Achievers
- Urban Prosperity
- Comfortably Off
- Moderate Means
- Hard Pressed

Customers vs. Great Britain

% Of Customers
ACORN Category Profile Of Product Donors

- Product Donors
- Great Britain

<table>
<thead>
<tr>
<th>ACORN Category</th>
<th>% Of Product Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealthy Achievers</td>
<td>20</td>
</tr>
<tr>
<td>Urban Prosperity</td>
<td>15</td>
</tr>
<tr>
<td>Comfortably Off</td>
<td>30</td>
</tr>
<tr>
<td>Moderate Means</td>
<td>15</td>
</tr>
<tr>
<td>Hard Pressed</td>
<td>10</td>
</tr>
</tbody>
</table>
Volunteers

- Socially diverse but H&D higher end

The profile of Helen & Douglas shop volunteers

<table>
<thead>
<tr>
<th>Social Class Grouping</th>
<th>A</th>
<th>B</th>
<th>C1</th>
<th>C2</th>
<th>DE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helen &amp; Douglas Hs. Shop Volunteers</td>
<td>23</td>
<td>27</td>
<td>27</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>National Average</td>
<td>4</td>
<td>22</td>
<td>29</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>Index</td>
<td>575</td>
<td>122</td>
<td>93</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>

Case Study - Choosing the target location

Two stage approach to identifying which suburbs of Oxford would have the best prospects:

1. **RETAIL RANKING** - each suburb assessed as to its retail strength using a retail ranking analysis based on:

   - Total number of shops
   - Number of existing charity shops
   - Other factors: presence of multiples and c-stores; car parking provision
2. **HOUSING AFFLUENCE** - the cities housing stock was divided into 3 categories:

- Detached
- Semi-detached
- Flats/apartments

and a ‘Housing Affluence’ map was produced
Housing affluence map of Oxford
Case Study - the scoring process

• Locations that scored highly on the Retail Rankings list were identified on the ‘Housing Affluence’ map as potential target locations.
• Primary catchment areas were then constructed around each of these suburbs, based upon a one mile radius.
• The socio-economic profile of each of the postcodes within the catchment area was aggregated up to give an overall profile for the catchment area.
Case Study - the scoring process

• **Catchment Area Ranking** - areas with representation across all of the socio-economic types, but with a skew towards the more affluent groupings scored highest.

• The combined scores of the retail ranking analysis and the catchment area analysis determined the overall priority order.
Case Study -
Priority areas

- The top four areas on the priority list were Summertown, Cowley Road, Headington and Templars Square (Cowley).

- A shop has recently successfully opened on the Cowley Road and shops are under development in Headington and Templars Square. A site is also being sought in Summertown.
Conclusions

• Illustrates the locational decision-making and related network planning of one charity retailer compared to such practices by ‘conventional retailers’.

• Charity retail location planning is different:
  o Traditional focus in relation to the potential customer base and key competition.
  o While much of the data analysed and techniques used remain the same (e.g. “scoring” locations against agreed criteria), some issues are more complex and nuanced in charity retailing.
  o Lack of budget for systems and data availability
Conclusions

• Need to study catchment dynamics at a local spatial scale
• The agglomeration of charity stores can positively affect the dynamics of footfall and “perceived quality” of a location.

• Two additional concerns:

1. The supply chain and store location
   • Charity store dependence on donations
   • In competition with other stores and disposal routes to intercept such donations. Location is crucial here.
   • Given the low value of the merchandise, it is often prohibitively expensive to transport stock between branches.
   • Essential to consider in the location decision.
Conclusions

2. The workforce and store location

- Dependence on volunteer workforce

- Research has found that volunteers are not especially mobile: 60% of shop volunteers live less than two miles from the store, with less than 40% driving to the shop (Broadbridge and Horne, 1994, p 431).

- Need to balance an accessible location for consumers with proximity to the equally essential volunteer base.
• Any questions…?