

Knowledge Management, Organisational Learning and Memory in Retail Network Planning

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Supported by:
The Society for Location Analysis

Context: Previous research on store development decision making

- Model development and decision support in economic geography & retail management (Applebaum, 1968; Birkin et al., 2002; Davies & Rogers, 1984; Wrigley, 1988)
- **Surveys of location planning technique usage** (Simkin, Doyle & Saunders, 1985; Hernández & Bennison, 2000; Reynolds & Wood, 2010)
- EPSRC project led by Ian Clarke (2000-2003)
 - Cognitive map methodology
 - Devised a analogue selector tool
- Challenges in the application of modelling – the role of site visits (Wood & Browne, 2007; Wood & Tasker, 2008)
- Role of organisational context in affecting store development decisions (Hernández et al., 1988; Theodoridis & Bennison, 2009; Wood and Reynolds, 2011)

Objectives

1. To understand – in practical terms – **how store forecasting synthesises codified knowledge from quantitative models alongside experiential and intuitive insights.**
2. To conceptualise the ways in which retailers' location planning departments **acquire and improve forecasting competence.** In doing so, we seek insight into **the ways in which forecasting “memory” is retained** and developed to inform subsequent analysis and decisions.

Context: Framing store development as a knowledge management problem

- Continuous dialogue between **tacit** and **codified** knowledge
- Need to **codify tacit knowledge as far as possible** (Coff, Coff & Eastvold, 2006). Overcomes difficulties with knowledge re-use, transfer and its co-ordination between actors & ensures some degree of transparency (Sambamurthy & Subramani, 2005)
- The **role of communities in negotiating knowledge.**
 - Encourage '*a common anthropology of socialization, social interaction, interest alignment, and community maintenance, which acts as a vital medium for learning*' (Amin & Cohendet, 2004, p 12).

Job title of respondent	Sector
Location Planning Manager	Food Retailing
Analyst	Department Store Retailing
Analyst	Food Retailing
Customer Analysis Manager	Department Store Retailing
Location Planning Analyst	DIY Retailing
Commercial Information Manager	Electrical Retailing
Director of Store Development	Non-food Retailing
Location Planning Manager	Food Retailing
Head of Retailing	Charity Retailing
Location Planning Consultant	Electrical Retailing
Head of Site Location Services	Location Planning Consultancy
Director	Location Planning Consultancy
Head of International Development	Location Planning Consultancy
Head of Retail Research & Consultancy	Retail Property Firm
Location Planning Manager	Electrical Retailing
Director of Retail Location	Location Planning Consultancy
Real Estate Market Research Manager	Discount Retailing
Store Forecasting & Development Manager	General Merchandiser
Manager of Distribution Strategy	Retail Banking
Retail Location Analysis Manager	Food Retailing
Country Manager	Clothing Retailing
Director of Location Planning	Food Retailing
Property & Development Manager	Sports Retailing
Property & Development Director	Opticians

Focus Group with 10 location analysts from different retailers/location planning consultancies:

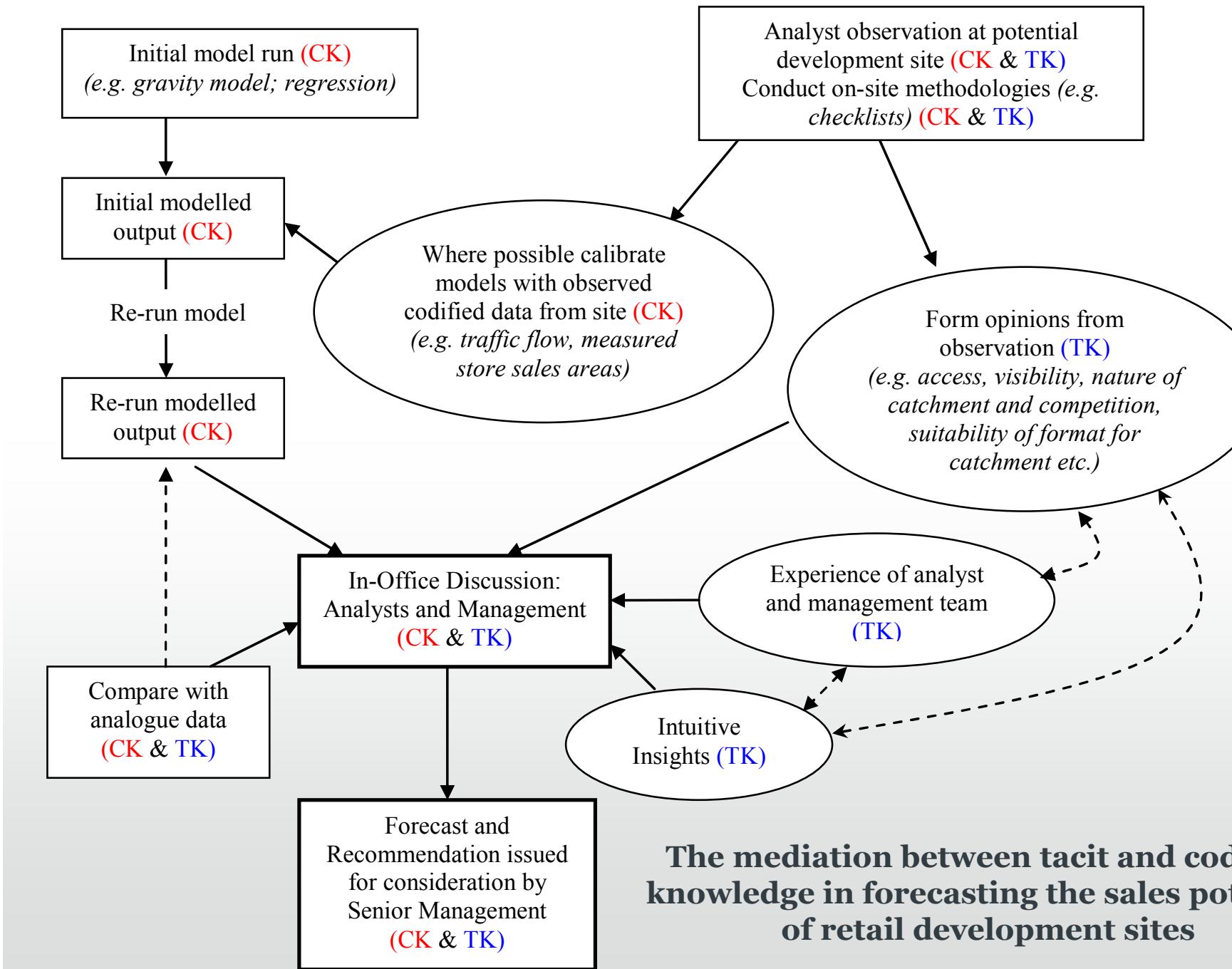
- Food Retailing (2 Analysts);
- Non-Food Retailing (5 Analysts);
- Location Analysis Consultants (3 Analysts)

Tacit knowledge from experience, intuition & observation

- *'it will be mostly the kind of micro location factors, because the model is bad at picking those up. So, small things like access into and onto the park, or into and off the park, could be very important'* (Electrical Retailer)
- **Time to build experience base**
- *'I think that sense-checker only comes after a year or so of experience really... I think it is a real problem and it certainly is a problem here, in that maybe there is a bit too much reliance on the number that the model spits out'* (Food Retailer).

Tacit knowledge from experience, intuition & observation

- **With new formats – even less model influence:**
- *'we are trialling two high street stores at the moment, and our model was built as an out-of-town model... but we'd use it much more as a kind of guide to narrow down [the sales expectation]' (Electrical Retailer)*
- **Discussion within communities**
- *'the only thing that we can say with 100% confidence about your forecast is that it's going to be wrong. ... it's not an adherence to a black box, it is this smart interrogation of all of the information that we've got available. So that's the culture that we've... bred' (Non-Food Retailer).*



The mediation between tacit and codified knowledge in forecasting the sales potential of retail development sites

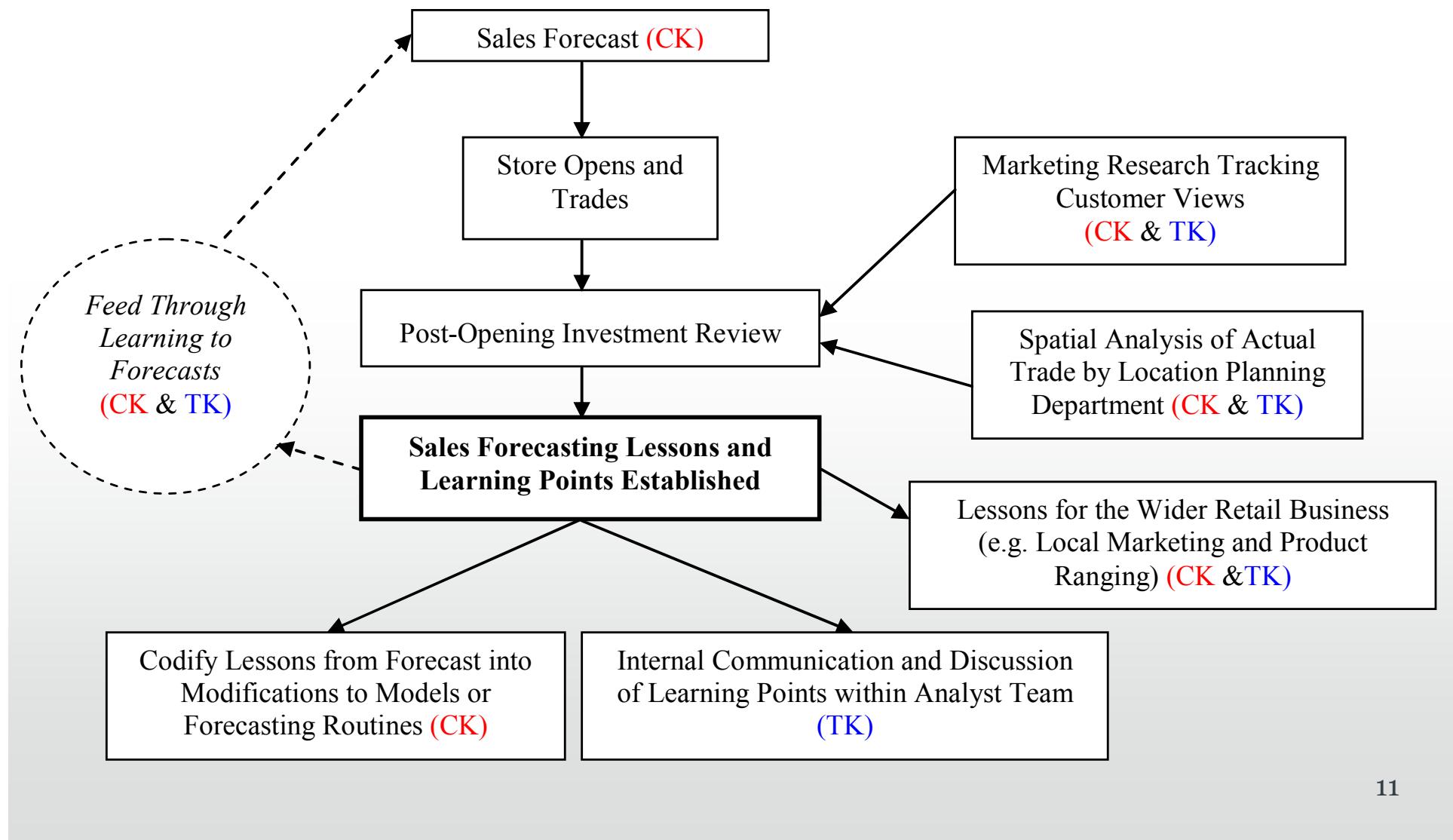
A key question...

- Given the importance of tacit knowledge, intuition, experience, **how does the retailer learn?**
- **How is knowledge recorded and retained within the retailing organisation?**
- *'the danger would be if you lose all of that or too much of that tacit knowledge, you know, that experience, in a churn that's perhaps too fast'* (Food Retailer).

Knowledge sharing and retention mechanisms in retail location planning

	Individualised	Institutionalised
Personalisation	<p><u>1. Individualised-personalisation mechanisms</u></p> <p>Accompanied site visits; formal mentoring ; one-to-one emails/meetings/discussions</p>	<p><u>4. Institutionalised-personalisation mechanisms</u></p> <p>Seminars (internal and external to retailer), group meetings</p>
Codification	<p><u>2. Individualised-codification mechanisms</u></p> <p>Print-outs of model output, analogues & notes from sales forecasts; personal emails</p>	<p><u>3. Institutionalised- codification mechanisms</u></p> <p>Databases (e.g. of competition size & location); models (e.g. spatial interaction models); analogue data; intranets; training manuals; project reports</p>

The theoretical learning process within store development planning



Conclusions 1

- Decision-making continues to be a nuanced and continually evolving **blend of ‘hard’ and ‘soft’ knowledge**.
- The analyst **“community of practice”**. Draws on the expertise of a wider base of experts but also spreads learning, organisational memory and best practice amongst the team.
- **Knowledge retention is critical to sustaining organisational memory within analyst teams.**
- While a certain degree of knowledge loss is inevitable in such situations, it was clear that **tacit knowledge can be embedded (with varying success) across a range of knowledge sharing and retention mechanisms**.

Conclusions 2

- Need to **dedicate time & resources to reflection & learning**
 - **developing lessons for subsequent forecasting** that lead to amendments to models but also tacit-based learnings that are retained and communicated between analysts
 - **can lead to wider benefits** for the retailer in terms devising amended strategies for local marketing or revised product ranging
 - location planning teams currently neglecting post-forecast analysis **potentially risk foregoing a range of benefits** that could improve store development planning and marketing