

# RegioGraph Strategy: Better location decisions for the retail sector

GfK GeoMarketing's solutions provide support for all phases of branch-network planning, from analyzing the network to carrying out on-site evaluations of real estate offers. With integrated GfK data, RegioGraph Strategy is ideal when it comes to identifying attractive regions for expansion and calculating turnover potential for new locations.

When head of expansion Christian Frische receives the latest location offers for the DIY chain he manages, he's able to quickly identify the most interesting ones right from his desk. He opens the geomarketing software RegioGraph, visualizes the real estate offers on a map and inputs the key factors of the desired new location, such as the sales area or number of parking places. Just minutes later, he can review a report that shows what the catchment area of the new location would

look like, how much demand potential is available, the socio-demographic profile of the inhabitants and the estimated turnover that can be generated by the new location. The software also takes into account the influence of existing branch sites and competitor locations. Thanks to this information and particularly the revelation of the existing turnover potential, Frische can quickly determine whether investing in a new location would be worthwhile.

## Branch-network planning in 5 minutes? Hardly.

That which is described here in just a few simple steps requires a valid, comprehensive data basis, refined statistical calculation methods and, most of all, branch expertise. Before an RegioGraph Strategy can be used for branch-network planning, GfK GeoMarketing experts work with the expansion division in question to determine the goal of the RegioGraph analyses – i.e., the most important factors for the success of the new locations.

## A look behind the scenes

What are the contents of RegioGraph Strategy? First, all factors that positively influence the turnover of the current locations:

## Catchment area analysis

In order to determine these factors, GfK GeoMarketing analyzes the existing branch network and determines the catchment area for each branch site by using customer surveys, customer map data and the branch expertise of GfK GeoMarketing's location experts. The catchment area analysis shows the maximum number of kilometers customers are prepared to travel to a branch site and specifies a customized distance function for each

of the company's locations. The distance function provides an important basis for the subsequent branch-network analyses carried out with RegioGraph Strategy.

## Analysis of success factors

The next step involves determining the factors that most influence turnover. GfK GeoMarketing's data experts analyze two categories of factors: the company-specific internal factors such as sales area, location age,

number of employees and product-line mix as well as – with help of the full spectrum of GfK data – relevant external factors that bear on the market environment, catchment area and micro-location. The specific GfK data used for this analysis is determined by the unique needs of each client. Some of the factors most commonly taken into account include:

### ▪ GfK Retail Turnover

Is the success of branch sites dependent on being in areas with strong retail drawing power?

### ▪ GfK target group data

Does the product-line specific demand potential of consumers in the catchment area positively influence the branch sites? Is it necessary that the area around the location exhibit certain socio-economic characteristics?

### ▪ Retail agglomeration effects

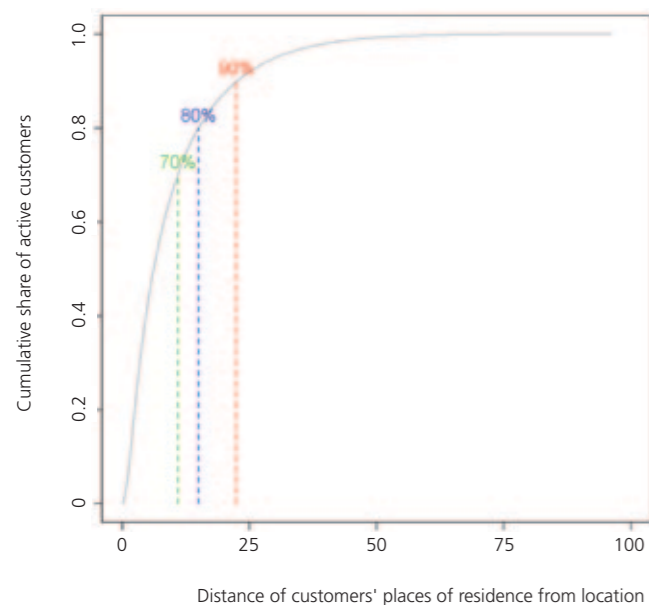
Are there retail branches or retail formats whose close proximity has a positive effect on the turnover of the branch site(s)?

Analysis of success factors



Catchment area analysis:

Cumulative share of customers by distance



GfK GfK GeoMarketing



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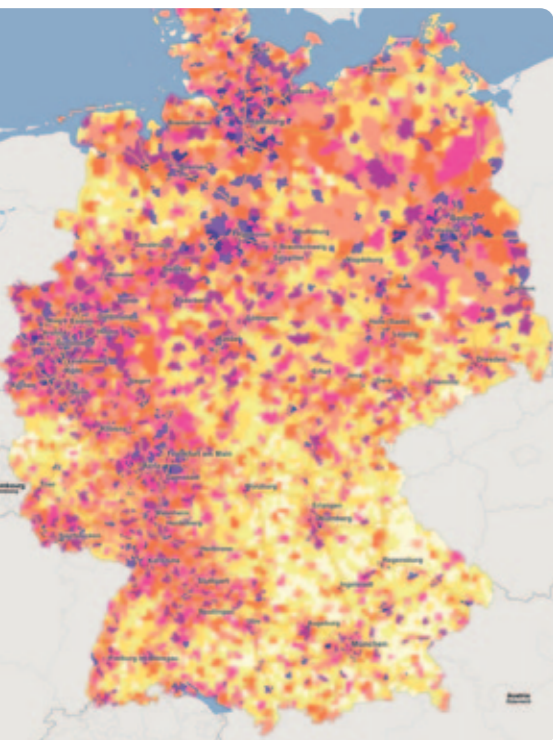
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### Moving on to turnover

The success factors for the new locations as well as the largest possible catchment areas that can be expected are now clear. However, there are still a few essential steps before the new locations can be evaluated by RegioGraph Strategy:

#### 1. Determination of the location drawing power of all 5-digit post-codes

Using the success factors, GfK data experts calculate a location drawing power rating for every postcode. This reveals whether a given postcode offers the retail company an above- or below-average level of drawing power. RegioGraph associates the results with each postcode. These can then be used later for the location analysis. RegioGraph can of course also illustrate and evaluate the distribution of these results on a map. This makes it possible to identify all gaps, or regions with high drawing power in which a branch site is not yet located.



Evaluation of regional drawing power directly on the map

#### 2. Evaluation of the company's own branch sites and those of competitors

The relevant competitors are identified as part of the catchment area analysis. GfK GeoMarketing now imports data on all of the branch sites of these competitors into a RegioGraph map and supplements this information with the sales area and drawing power of all competitor branch sites. The client's own branch sites are also assigned a drawing power rating.

#### 3. Customization of the Huff model

RegioGraph Strategy calculates the demand potential of a new location using a gravity model - the so-called Huff model. Using the distances and drawing power associated with the competitor locations, this model determines the likelihood that a given location will be visited by a customer. Employing the already carried out analyses, GfK GeoMarketing customizes the Huff model and integrates all relevant information. The turnover that a new location can be expected to generate is then determined on the basis of this demand potential as well as additional internal and external factors. Only at this stage can the turnover potential of a new location be evaluated at the press of a button. RegioGraph offers a high degree of flexibility in this regard. For example, it can take into account relevant differences between various retail formats. And any new company sites or those of competitors can be taken into account in subsequent analyses.

#### From a list of prospective sites to a concrete location

Head of expansion Frische received a customized copy of RegioGraph Strategy from GfK GeoMarketing along with the calculated data and models for his company as part of an introductory day at his place of business. This allowed him to start working

with the analyses on the following day. Since that time, he places great stock in the location evaluations carried out with RegioGraph Strategy and on the basis of the integrated data on potential. "In the past I had to examine countless real estate offers on-site," he explains. "Now, thanks to RegioGraph Strategy, I can narrow down the list of prospective offers with confidence. This saves an enormous amount of time." Of course, before making a final decision for or against a location, it's necessary to carry out a thorough on-site evaluation of the micro-location in question. In the past, Frische and his colleagues usually did this themselves. However, he now prefers to take advantage of the experience of GfK GeoMarketing's location experts. "The location evaluations by unbiased GfK appraisers give me a solid foundation for negotiations with third parties, such as financiers and partners. Also, this approach allows me to be confident that I am making location decisions that will lead to sustainable success."

#### Branch-network planning with GfK GeoMarketing

RegioGraph Strategy is an ideal branch-network planning tool, particularly for all retail companies that generate demand through their own catchment area. GfK GeoMarketing also calculates turnover potential for retailers whose turnover is dependent on agglomeration effects and high customer frequencies at the retail location.

#### We'd be happy to assist you!

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## Calculating distances between map objects with RegioGraph Strategy

While RegioGraph Planning can calculate the distance between location A and B, RegioGraph Strategy can also calculate distances and object relations between any number of locations. The result is a distance matrix that reveals the distances between each location and all others.



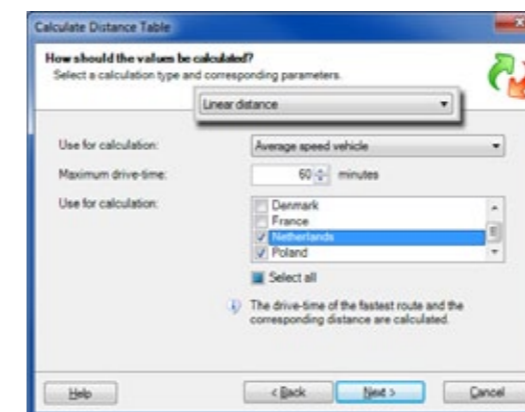
#### Preparation

A distance table can be calculated for any number of location or area layers. In the case of the latter, the middle points are used for the calculation. If you first select a certain number of objects on a layer, the distance table will only be calculated for these selected objects.

#### Methodology:

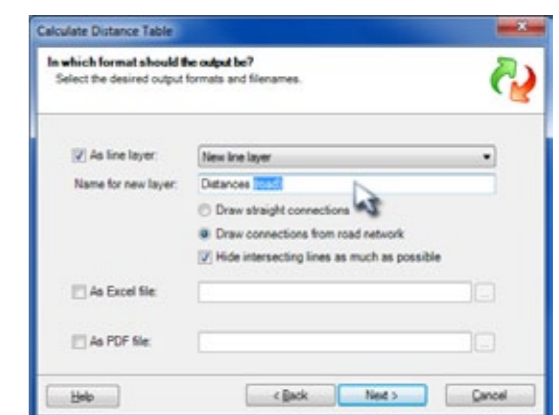
Select **Distance Table...** from the **Calculations** menu. First, select the desired layer. Next, select the option **Calculate distances between layer objects\***.

#### Step 3



In step 3, you can specify whether you wish to calculate the distances as **linear distances** (see illustration) or via the road network. In the latter case, you will need to indicate a speed profile (e.g., **Average speed vehicle**). You can restrict the number of calculated distances by using the **Maximum drive-time** option.

#### Step 4



In step 4, you specify the format in which the results should be outputted: For this example, select **New line layer**. You can then enter a **name** for the layer. Next, select from between the options **Draw straight connections** (linear distances) and **Draw connections from road network**. Incidentally, this step is carried out independently of the previously indicated calculation specification.

The calculated distance table can also be exported as an **Excel file** or **PDF**. Complete the process by clicking **Calculate**.

This tutorial can also be accessed as a video at:  
> [gfk-regiograph.com/tutorials](http://gfk-regiograph.com/tutorials)

\*) Tips for using additional options can be found at [www.gfk-regiograph.com](http://www.gfk-regiograph.com).