



Establishing a More Complete Geographic Strategy

Guidelines for assessing your formal strategy specific to location expansion across the country ("geographic strategy") and ensuring that it's as complete as it should be.

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The term "geographic strategy" can mean different things depending on the context involved. For a leading global corporation, it can mean where, when and how to establish operations in markets around the world (for example, see Accenture's paper "Creating a winning geographic strategy" by Tim Cooper, Mark Foster and Mark Purdy in the February, 2010 issue of "Outlook"). In this paper, we concentrate on your brand's strategy for the long term presence of your customer-accessible locations (e.g. stores, restaurants, cafes, branches or dealerships) within a given country (or set of adjacent countries such as Canada and the United States).

Having witnessed these strategy development processes many times over and researched them extensively over the years, most often an organization's "geographic strategy" has been defined more narrowly than it should with a relatively limited set of processes deployed in building it. For the latter, management discussion and an attempt to summarize the kinds of information one provides to real estate brokers to help search for suitable leases dominate these processes. A simple management survey can give you lend more insight into the thoroughness and clarity of your geographic strategy.

Take the Quiz - A Survey of Geographic Strategy Completeness: Here are more than 20 questions (or in some cases categories of questions) that you can use to test the thoroughness of your own strategies and start to form more complete versions of them the next time you're asked to do so.

1. Can you describe your current **target** consumer profile? Does this profile differ in any way from the profile of the typical consumer currently using your brand?
2. What specific metrics are you using to evaluate market growth opportunities? Do they incorporate timelines? What rate is required to make investment in further location growth viable in light of other investment options available to the organization?
3. Can you measure your brand's overall relative health from region to region? For example, how would your sales levels vary in each province for locations otherwise having the same attributes and facing the same site and environmental conditions?
4. What kind of image do you want to portray when choosing your locations and the physical designs of your facilities?
5. Do you know how much you **can** grow given market conditions? How many sufficiently profitable units can you potentially operate over the long term ?

6. Do you have a standard restaurant design prototype in place, and if so, do you know whether or not you should be deviating from this standard for certain markets, locations, and circumstances?
7. Who are your most direct competitors? Is this list different from the set of competing brands used most often by your customers?
8. Do you have a clear picture of the long-term economic outlook of different regions in the country?
9. What are the minimum criteria for entry by your brand into a new market or entirely new region? What about a new site location? Do you need to wait until you can open several locations or even cover the market in its entirety in a short time before entering a new market?
10. Can you estimate your market share in each market? What is the presence you need to achieve sufficient scale to justify major investment such as television and radio advertising?
11. Under what conditions will you maintain full ownership of locations versus franchising/licensing locations?
12. Are there certain types of markets or locations you will try to avoid?
13. What proportion of new openings will you target for "in-fill" opportunities versus new growth areas?
14. Are there acquisition opportunities that are suitable as means of growth?
15. Are there certain competitors or other businesses that you will try follow or avoid? Which retail brands do you feel represent strong "synergies" with your own?
16. How are you evaluating the overall market planning function itself over time? Are you simply rewarding your development teams based on deals completed or passing on indicators of the brand's success overall?
17. Do you have standard processes for tracking and evaluating tactical execution of your growth strategy on an on-going basis?
18. How would you describe the pattern of growth that your brand has been following? Have you established an intended target growth pattern (growth model) over the long term?
19. What is the maximum level of sales cannibalization you are willing to accept?
20. Is it critical, merely a delightful bonus, or undesirable to enter a market or a new retail development before your competitors do?
21. Do you know what locations you would ideally like to be in over the next 3 years? How about over the next 10 years?
22. What are the minimum criteria for site selection?
23. What level of risk is acceptable overall to your organization when it comes to location strategy Do you have a good understanding of what these major risk factors are and how you'll mitigate them?

OK, so that's a long list. But as you read them, did they come across as frivolous, minor topics or unrelated to your task of defining an outstanding geographic strategy? Not likely. So with so many important issues involved, it's understandable that many of these items aren't discussed at any length or go overlooked altogether by many. If you can at least keep these items aside as reference, you'll be more apt to be more complete in your strategy development processes.

In terms of some specific recommended steps to better address many of these issues, the details involved are far beyond the scope of this paper (being in a "concise" whitepaper series), but we can list for you a few of the exercises that might ideally involved. Here are some selected examples:

• **Identify your "strategic context":** As an early stage in the process, first identify which "parent" objectives of your organization relate to geographic strategy so you give yourself some parameters to fine-tune your choices and achieve a jump-start on this massive challenge. Examples include the following:

- Investment return rates sought
- Overall growth aspirations and aggressiveness
- Where location related investments are prioritized in relation to other major investment options
- Levels of risk aversion
- Current financial circumstances and how the organization is addressing them
- Profiles of consumers (target market) defined through your organization's marketing strategies
- Store design choices already made (or the corresponding research findings already in hand)
- Company image desired
- Goals and expectations of the organization for geographic strategy development itself

• **The "Geographic SWOT":** Make some efforts to analyze, report, and research various aspects of your current state (internal strengths and weaknesses, external opportunities and threats) as it relates to geography.

Examples of externally-focused components that likely should be included depending on the nature of your business and specific circumstances include the following:

- Target market distribution: Where are our desired customers and how many are there?
- Theoretical growth capacity: This is a more complicated analysis that can be done more effectively with the right expertise deployed but you can start with something relatively simple such as an average population needed per location combined with some very basic minimum conditions for market entry.
- Review of relevant case studies (i.e. geographic strategies followed by other successful brands) and research into corresponding best practices (more of what you're doing right now by reading this!).
- Summarize the economic outlook for each major region (both for the markets and your industry)
- Assessment of risks: List as many as you can identify as this needs to be thorough. These should relate to things like unexpected competitor entry, escalating costs, developments not taking place as expected, faulty evaluation processes, dependency on specific employers or industries, a lack of "geographic diversification", etc. (there are many more important examples not covered in this paper).
- Additional competitor analysis (their strengths and weaknesses; expected future behaviors; current distribution, location positioning versus your own brand, etc.)

Examples of internally-focused exercises include the following:

- Identification of "standard" markets that cover the entire country (/continent)
- Statistical profiles of these markets, including your own presence and performance levels
- Identification of key drivers of your success at both a market (regional) level and location level
- Setting minimum objective conditions for market entry

- Review your own growth history for learnings, such as any patterns to your growth you can identify that have impacted success levels ("we tended to perform better when we first went here and then there")
- Segment your performance level by unit size, type of market, site type, etc.
- Use some kind of preliminary method to estimate your current market share and "relative market share" (again, there are ways to do this effectively but sufficiently complicated to avoid the details here).
- Review relevant financial analysis done by your Finance department (e.g. unit economics, implications of franchising, major costs associated with operating in a new region, etc.).
- Identify methods for assessing your brand's "health" in each major region (such as the use of various survey-based metrics related to awareness and support of the brand combined simply with your relative performance levels).

• **Identification and evaluation of strategic options:** Develop selected "portfolios" of growth options for further assessment.

Examples surrounding **where to grow**:

- Identify the major market segments (e.g. downtown core, downtown outside core, suburban, exurban, small town, resort/tourist town, villages, rural, highway stop, etc.)
- Identify potential different formats that may correspond with the above market types
- New markets versus "in-fill" opportunities

Examples surrounding **how to grow**:

- Identify different potential "growth models" (theoretical spatial patterns targeted for location growth) that may be applicable to your brand
- Identify additional restrictions and choices involved beyond the basic growth model itself (e.g. different types of potential sites the brand may continue to target or severe restrictions on development activity for certain markets or types of locations)
- Internal versus external growth (i.e. evaluation of acquisition options)
- Positioning versus competitors

From here, you'll want to perform the same series of processes you would use for your other "non-geographic" strategies, which may include things like the following:

- **Evaluation & selection of options:** financial analysis, risk assessment, discussions, work-sessions, other forms of management input collection, etc.
- **Functional plan for executing strategy:** identification of the plan's objectives, resource requirements and specific steps involved in executing the chosen strategy.
- **Establishment of policies, standards and required processes.** This may include a wide variety of components such as minimum standards for facilities, required site evaluation processes, how various issues related to franchising are handled, etc.
- **Define control & monitoring processes:** performance measures associated with execution of geographic strategy, "dashboards" to be deployed within systems, tracking systems and reports for use as your store network evolves over time, and auditing processes, to name a few.

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To reference this paper, simply use "Market Forté's Smarter Growth Series of Whitepapers" where the publication name would normally go.