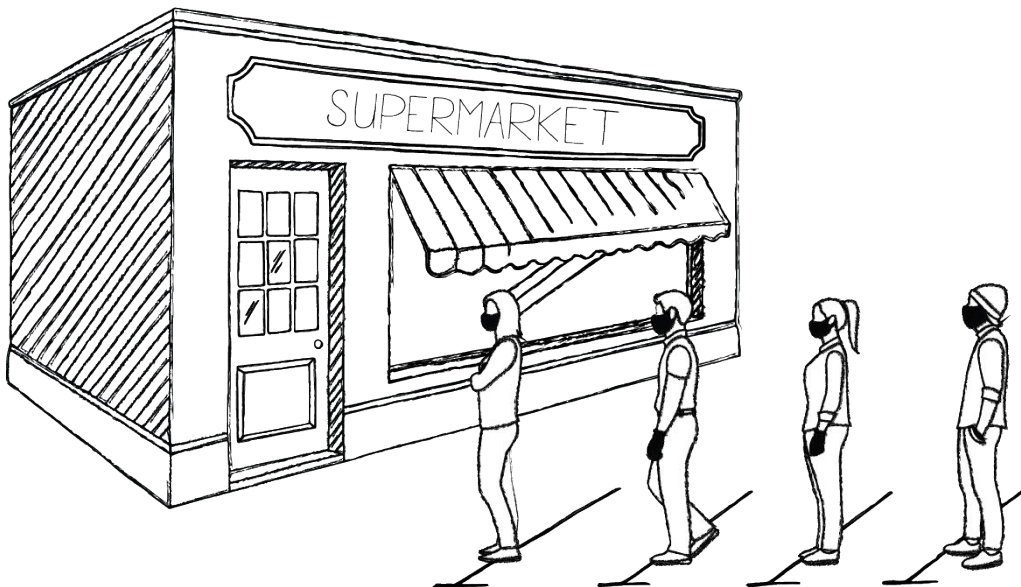


The Future of Market Planning

Long-lasting dynamics for retailers to
embrace in a post-COVID world



The Future of Market Planning

Choosing the right market and the right real estate for Retail has certainly seen its fair share of change over time. From the early tactics of spotting steeples from a helicopter in the mid 20th century, to the advanced strategies employed by retailers today using GPS and AI technologies, there has been a constant pace of evolution. Now more than ever, it's got to be driven by data.

That rate of change was catapulted forward at the onset of the COVID-19 pandemic in 2020. This required both consumers and business organizations to drastically change their behaviours and adapt to a new reality; one that we anticipated only becoming "normal" many years from now.

While many anxiously await a return to closer human interactions and time-tested experiences in 2021, many of the realities faced over the last year have gained significant traction and present long-lasting implications to how retailers plan their markets in 2022 and beyond. Though 2021 may reflect a surge of "normal" shopping behaviour from pent-up demand, next year presents a question mark. How will retailers combine the best of their digital and physical worlds to remain relevant?

Through a series of one-on-one executive interviews with 15 different subject matter experts across a variety of Canadian retail sectors, as well as secondary market research efforts, we have identified five major

dynamics for retailers to embrace in their future market planning:

1. **Brand Beware. The Threat of Retail Cancel Culture.** Massive consumer shifts threaten to upend retail as we know it.
2. **Rural is the new Urban.** Consumers can be found how and where we previously thought impossible.
3. **Retail Prescribed by the Consumer.** Consumers want to invite the retailer in, not the other way around.
4. **Real Estate Teams Do More than Secure the Dirt.** Physical store planning is not an afterthought.
5. **De-Risk Brick & Mortar Strategy through Experimentation.** Exemplary evolutionary change is already underway.

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Brand Beware. The Threat of Retail Cancel Culture

We all felt the societal alignment and “coming together” at the start of the COVID-19 pandemic. Michael LeBlanc, a pronounced Canadian retail strategist, described a shared “mission” that emerged across Canada: to simply do what’s best for people and take care of each other¹.

As we leave the pandemic-era and start to enter the post-COVID reality, there has never been a better time for retail brands to authentically experiment with what this caring looks like long-term and how it fits into their brand experience.

ENLIGHTENED & ENGAGED

In fact, there are increasing expectations from consumers that retail organizations will use their position to have a positive social impact in the world. This is well illustrated by the increasing presence of brand activism in business, and exemplary retail responses have been pioneered by the TOMS Shoes, Patagonias, IKEAs, and Ben & Jerry’s of the world.

The responses to the largest civil rights movement to date in the summer of 2020 for Black Lives Matter is perhaps one of the strongest testaments to this. With an outpouring of solidarity for BIPOC, retail brands were motivated to demonstrate their humanness in their communication efforts through conscious participation too; such as posting the black square on their channels, denouncing police brutality, using appropriate hashtags, and engaging in conversations about anti-racism.

CASE STUDY: BEN & JERRY’S

With over 600 scoop shops worldwide and a product available in any major grocery store, Ben & Jerry’s typifies strong brand activism with a clearly-defined ESG (Environment, Society, Governance) strategy. They are well-known for taking a stance on a myriad of social issues including environmental sustainability, anti-racism, cannabis, the justice system, and more.

“It matters to more and more consumers (GenZ and Millennials, looking at you) that companies take a stance and add value to our global community via their action²,”

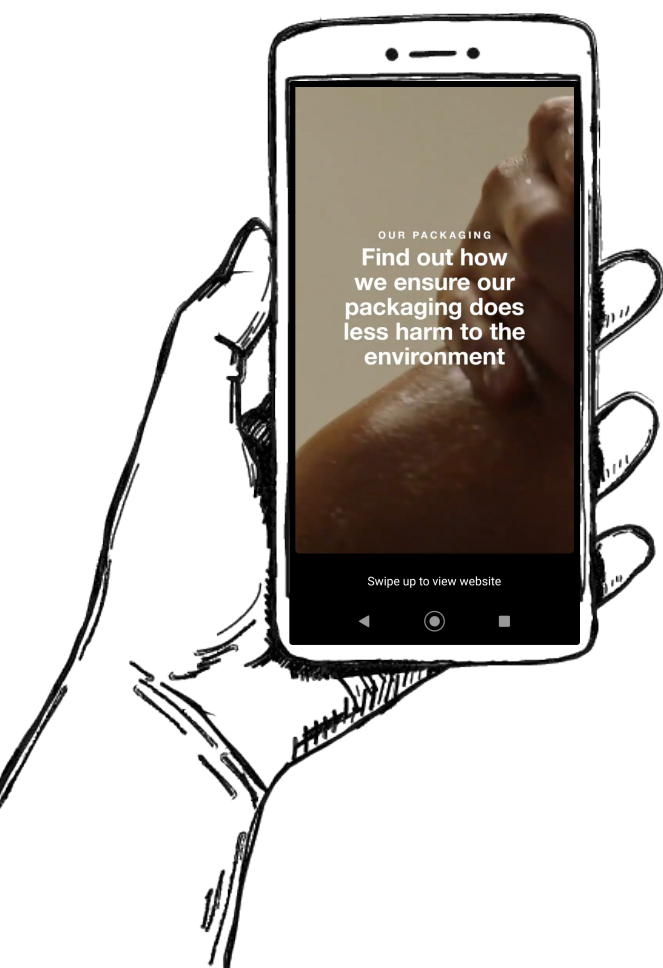
Explains Christopher Miller, Ben & Jerry’s head of global activism strategy, in a Harvard Business Review article earlier this year. They are driven not by a goal to sell more ice cream, but rather to make sure their messaging and actions are rooted in their organization’s core values and beliefs.



At the same time, consumers are paying attention. Brands are more digitally engaged with their customers than ever, through social media, influencer marketing, and targeted online advertising. In fact, pre-pandemic, a study done by Deloitte identified that "...75% of in-store retail spending was digitally influenced during the shopping journey³."

Not surprisingly then, as Brands demonstrate shared values with consumers on the material, light-hearted aspects of life, so should they share in the social values of the consumer by engaging in harder conversations around political and social issues of the day.

Sherry MacDonald, partner at Madstone Consulting Group, describes how brands must be aware of these dynamics, while also warning about the idea of consumers potentially punishing brands that demonstrate negligence.



"Consumers have increasing amounts of power and an unprecedented audience size to voice their concerns through social media", MacDonald says. "If retailers are not paying attention to their social impact in a meaningful way, they will struggle to stick around⁴."

LEADERSHIP CHAMPIONING CHANGE

Many of the behaviours and trends discussed in this paper are rooted in fundamental societal shifts happening via consumers. In addition to influencing conversations around the dinner table, it's also brought the question of ESG to the table in the boardroom. Most organizations are not clear on how it will impact the business strategy and planning agenda.

In addition to that, "[e]merging leaders and CEOs are far more reflective of the new generation of consumers who think differently," explains MacDonald. "They're taking a page out of the Tech industry's book to seek ways to take significant risk, fail fast, and iterate. They also come with a different grooming on the concept of ROI that include social values and costs, and with an overall increased level of consciousness that will support their organization in making sure their brand has lasting relevance⁵."

Consumer-centric leaders recognize their impact on the world, are individually motivated to take part in creating that positive impact that consumers desire, and know it's "good for business". As a recent article in the WSJ articulated,

"When a corporate leader does an earnings call with analysts, or appears in a TV interview to discuss economic conditions, or holds an all-hands employee meeting, that leader now can be expected to be asked about the Black Lives Matter movement or voting rights, not just about business conditions. Dodging such questions may be an option, but also not a good look⁶."

Rural is the new Urban

When provinces across Canada first went into lockdown, life became virtual overnight. While it took a lot of work and flexibility, it served as an 'aha' moment for businesses across the board. Suddenly the idea of work-from-home and remote work was not just a possibility, it became a proven model.

As lifestyles adapted to more time at home, the pandemic grew in force, and with it many of Canada's housing markets, more and more Canadians experienced significant epiphanies on where their priorities lie. These behavioural changes have long-lasting implications on how and *where* retailers interact with their customers.

MARKET DISPERSAL

Working remotely has opened up the possibility of living away from large urban centers, which prior to the COVID-19 pandemic, were synonymous with employment and economic opportunities. At the same time, during pandemic real estate planning, suburban store formats have been preferred given the sheer increase in space which allows for better curbside offerings, potential outdoor pop-ups, or drive-thru development.

More and more people are taking bets on life in smaller suburban or rural markets. These choices create cultural, demographic, and economic diversity that could completely evolve the fabric of these smaller communities and their assumed customer profiles.

Consider the "Schitt's Creek Effect" - whereby David Rose opens up a boutique general store called the Rose Apothecary, curated with locally produced, beautifully branded products that focus on wellness, health, and locality. His store captures the hearts of a small-town consumer group with an offering that would normally have only been accessible to the urban shopper. While this came to life at the hands of this



show's artsy millennial with discriminating tastes, such localization is made possible in markets everywhere through wholesale technology and eCommerce solutions like Shopify's Handshake or Faire, both of which are giving desirable local producers access to national markets.

Previously 'figured out' markets may now cater to a completely different buyer. Did they previously live in a small condo but now seek a single-family home? Did they previously only come in store to purchase products and now they want to purchase digitally? Was Product A previously a top performer, but now consumers are keen for Product B?

Retail Prescribed by the Consumer

Brands are used to considering how customer experience plays into the overall retail experience. Now it must be the other way around.

This is the new retail experience. Retailers must be proactively invited into the lives of the consumer and embrace a far more personalized experience. They must create reasons for them to come back to the brand based on products and services that deeply resonate with them, creating a “choice experience”.

DIRECTED BY A TECH-SAVVY CONSUMER

Consumers have proven to be adaptive in their behaviours, and trends that were pegged as only being applicable to younger generations are being adopted across the board.

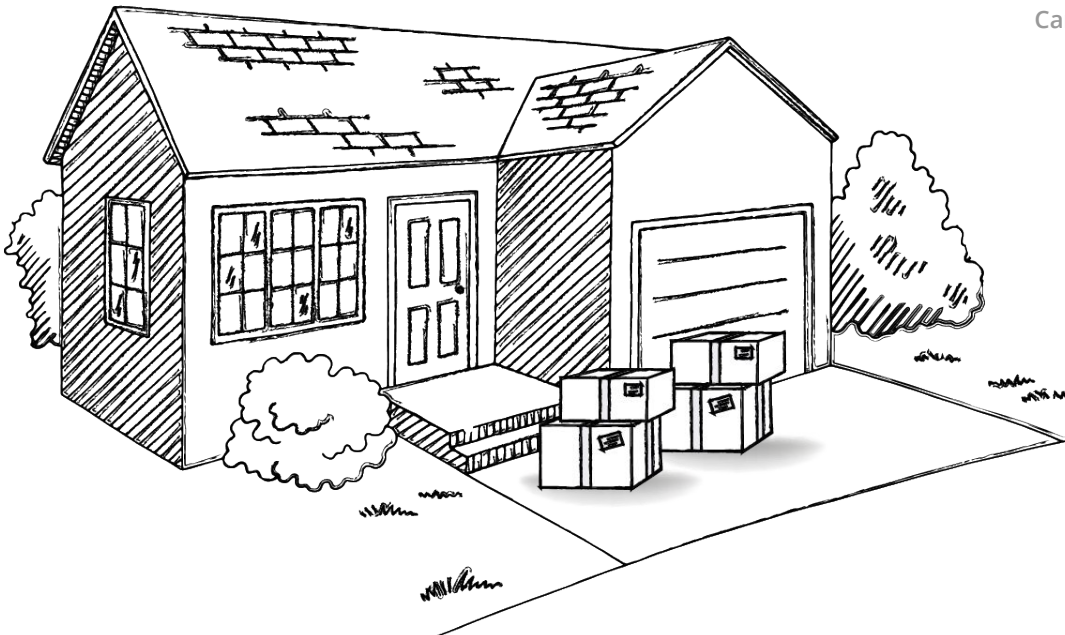
Perhaps the most obvious of behaviours is the adoption of newer retail channels such as

eCommerce and home delivery, online ordering, and curbside pickup. Many consumers started using new digital tools in an attempt to safely consume their goods and services during lockdown orders and rising case numbers, proving that they could redefine when and how they wanted to shop.

In fact, online shopping demand in Canada rose significantly in 2020, with e-commerce retail sales accounting for 5.9% of total retail sales, versus 3.5% of total retail sales in 2019. There are little signs that this is slowing down⁷.

eCommerce Retail Sales Growth in
Canada from 2019 to 2020

▲ **59%**



GETTING A CHOICE EXPERIENCE

This increased personalization demanded by consumers is not inconsistent with a rise in digital retailing. It is complementary and deeply intertwined.

A choice experience and personalization is deeply tied to product mix and assortment.

It requires a divorce from the idea of having blanket customer profiles tied to geography.

For many industries, a set of aggregated location profiles aren't relevant anymore.

For example, in the past, financial services institutions could afford to assume that certain areas had specific demographic and psychographic behaviors which required a specific product solution. A bank branch that was located in a neighbourhood with higher socioeconomic status would assume certain products for those customers such as mortgages and commercial loans. Another neighbourhood, with lower socioeconomic status would require other services centred around cash banking. This is no longer the norm. Consumers expect these types of choice experiences, where products have been specifically curated by the micro-market.

IF YOU ORDER A BIG MAC, YOU BETTER GET A BIG MAC

How does brand personalization and brand consistency intersect? There is a tension for larger chains to navigate here, whose brands are based on greater control of the store design, product offering, and look and feel. Experiments like concierge services and ghost kitchens present far less friction for emerging concepts or smaller retailers. However, a digitally-

savvy consumer base opens up the possibility of bringing the same brand to the consumer, but using new tools for more personalized engagement.

Just as in-store is critical to brand experience, as is the eCommerce experience. Retail websites are an extension of the brick and mortar store and they must communicate that brand consistently. The forced acceleration to digital platforms over the Covid-19 pandemic will continue to be a milestone for retailers to hit in order to maintain consumer engagement on their brand experience.



Real Estate Teams do more than Secure the Dirt

Given the evolution of today's consumer and the experiences they pursue, the organization's understanding of the role of real estate must change as considerations around location go upstream.

Location planning historically has had a tendency to confirm organizational biases, rather than inform an overall strategy. The future of market planning requires a real estate team where the manifestation of the brand in physical form is not a given or an afterthought, it's holistically built into the retail strategy.

INTEGRATED OPERATIONS

There is a critical connection between consumers and their location. As the role of Real Estate teams evolve and the goals of market planning, so do other Departments. As a result, developing an open approach to data-sharing and centralizing access to data is becoming table stakes for retailers looking to leverage analytics.

Make no mistake, this is not easy. Even the starting point for retailers - leveraging their own data from Point-of-Sale systems or developed loyalty programs - can prove to be difficult. Many organizations struggle to centralize their own datasets and rely on a single source-of-truth regarding location information and performance. However, the changes over the last year and an accelerated demand for analytics has pushed many brands into deeper investment for becoming more data-driven. Rather than taking guesses, using advanced customer analytics gives them insight on preferences and drives better uptake and loyalty.

Paired with external datasets on market performance, competitive insight, the retail landscape, movement patterns, demographic trends, and psychographic behaviours, the Retailer as a whole is able to imagine, predict, and plan for change.

Location analytics are not analytics you provide to retail. They are retail analytics with a location dimension.

Many brands at the forefront of change are demonstrating how real estate is more than just securing the dirt.

Take Canada Goose for example, doing incredibly innovative things within their four walls like identifying a location to host a freezer room in-store, which simulates the cold weather their outerwear products protect you against. Inventing these unique experiences are based in that deep customer knowledge and an overarching desire to intentionally make each store part of that choice experience.

These types of experiments require teams who are willing to break the mould on when and how real estate enters the strategy; whether that's working cross-departmentally with eCommerce, curating product assortments, considering smaller footprints or different formats, getting into vertical spaces, pop-ups, you name it. Experimentation is key, and the old assumptions that if you build it in the right location, the customers will come, cannot remain a simple key tenet for real estate anymore.

As the physical manifestation of a retailer becomes more about experience and less about the four walls of a store, real estate will be performing a different function for the organization. **As stewards of location data, they are the plug-in to understanding micro-market dynamics.**

CASE STUDY: FINANCIAL SERVICES

With increased banking being done online, a dispersal of customers across different geographies, and an increasingly diverse market, locations have to be specifically and intentionally catered towards their customers.

Real Estate choices impact *Marketing*.

Strong customer relationships and trust in a service is a cornerstone of many retail

industries, but perhaps none so much as in banking. Many communities in Canada are increasingly culturally diverse and consumers are culturally aware, requiring nuanced messaging; so how you show up in the community matters.

Real Estate choices impact *Assortment*.

Representation in a brand is one thing. In addition to how offerings are communicated, what offerings exist and the degree to which they are applicable is critical. Having an urban versus rural profile won't cut it anymore, micro-market profiling and product and service assortment is required.

For example, an urban profile store under regular circumstances may traditionally follow a "canned" format, but in reality, this urban location is adjacent to neighbouring communities of new Canadians who are establishing themselves. Innovative lending products for groups that may have no historical credit rating would be relevant here.

Real Estate choices impact *Customer Experience*.

For the in-person support that is required at this branch, it is important that the retail strategy includes frameworks and systems that contribute to building customer loyalty. In this case, cultural sensitivity training in the branch (or online for digital branches) is important so staffing is respectful of clients.

De-Risk Brick & Mortar Strategy through Experimentation

Brands are now exploring expansion strategies that look different than the traditional four-walls of real estate, through experiments that leverage new tools and ideas. These experiments help to detect new markets, design new engagement experiences, and explore retail partnerships that will continue their development of an endless aisle.

DIGITAL ROOTS

eCommerce has enabled retailers to experiment with following a digital-first approach to new geography development, and curating assortments designed with the micro-market in mind.

Rather than investing millions in new store development, retailers can service the market online to validate the opportunity, explore the aptitude for different product lines, and understand potential market size. This guarantees that future store placement is driven by where the consumer is and small-scale experiments can be done without significant real estate extensive investment.

IKEA has continued to innovate with add-on services to support assembling their furniture at home like their TaskRabbit service app. They have expanded beyond furniture into new product lines like lightbulbs, food, and appliances, where they can further apply their focus on sustainability through smart tech, energy savings, produce certifications, and so on.

While the in-store experience is iconic, consumers can also replicate that inspiration online through simulation and design tools, and a website that encourages beauty and imagination, not just shopping.

IN-STORE IS HERE TO STAY, BUT HOW?

CASE STUDY: BIG-BOX RETAIL

Consider IKEA, who established a digital-physical hybrid early on by prioritizing online shopping and in-print catalogues for awareness, and then combined them with experiential showrooms to have a tactical in-store experience. That inspires choice and selection of products, which can then be shipped or boxed up, without the product even being assembled yet.



Not every brand is IKEA. It can't be denied that at present, a lot is lost on the average brand if you can't have that in-store experience.

Though restaurants have managed to continue operating in a pandemic via delivery and takeout, this consumer experience is far more utilitarian, as compared to the act of going out to eat to be in a space with a server, ambiance, friends, and so on.

To date, the in-store experience is what *drives* the ability for the consumer to have that choice experience, and explore and discover new products. In fact, this also is a prime lever for revenue expansion too, as many shoppers find more than what they came looking for. How do you replicate that online for the omnichannel shopper journey?

Another brand doing this well is Lululemon. Even before the pandemic, Lululemon was breaking the mould on real estate and redefining the purpose of their stores, through activities like hosting local community events and offering free in-store yoga classes featuring local teachers. Talk about personalization and localization while maintaining a strong brand identity!

They also offer concierge services where customers could peruse items online, book an appointment with a store staff member, and have a curated selection of items to try on once in store. This is Big Retail applying the age-old principles of small-business owners everywhere, who know that personal relationships with their customers and exceptional, service-oriented support is what keeps them coming back year after year.

NEW STORE FORMATS

All these trends drive the evolution of the real estate space, and the way markets are planned and evolved. Whether you're testing some ethical product lines, experimenting with local partnerships for seasonal product delivery, or finding new ways to engage your consumer online pre-sale, all these changes impact the purpose of the real estate space itself.

Brands are starting to think outside their standard, big-box footprint and rather consider which departments, product categories, and even SKUs are most applicable to each micro-market. For some, this means experimenting with smaller format stores, different style real estate, or shared space with other retail partners.

CASE STUDY: PHARMACY + FOOD RETAIL

A creative real estate partnership can be seen in Canada with Rexall Pharmacies and M&M Food Market, who created a "M&M Food Market *Express*" concept which shares square footage with pharmacy, health, and beauty products at Rexalls nationwide⁸.

Identifying complementary businesses like prepared food + pharmacy is a strategic retail decision informed by location insights.

Determining which products to include in different format stores is informed by location insights.

Choosing which markets to experiment with creative new stores is informed by location insights.

What's Next for Market Planning?

The ability for Retailers to stay relevant to their new consumer is paramount to their evolution and success. With consumers living in diversified markets, adopting digital behaviours, and possessing new traits of consciousness, convenience, and personalization, their behaviour challenges age-old assumptions about what a good retail experience is and subsequently how to plan for real estate.

Although evolving to a physical-digital hybrid is nothing new, the demands on organizations to leverage new attitudes, data, and analytics to make those experiments a reality are pressing. For Market Planners looking to take advantage of these new dynamics and redefine the role of location in Retail, the implications are clear:

1. Brand Beware. The Threat of Retail Cancel Culture

The viability of any Retail business is dependent on capturing a strong market and developing loyalty with one's customers. With the increased levels of expectation and accountability that have emerged from consumers, retail brands run the risk of being perceived as "tone-deaf" and being dismissed if they fail to adequately participate in the consumer's full experience.

<i>Action Items for 2021</i>	<i>Outstanding Questions for 2022</i>
<ul style="list-style-type: none">• Deep-dive into the consumer's perception of your organizational values• Adopt an open-mindset as leaders on what authentic and values-based brand engagement means for you; from merchandising, marketing, store format, and location	<ul style="list-style-type: none">• How are we earning the trust of our customers?• What does an ESG agenda look like for our organization?• What goals are we setting and how are they being measured?• What data do our customers want us to collect? E.g. ethnicity vs location

2. Rural is the new Urban

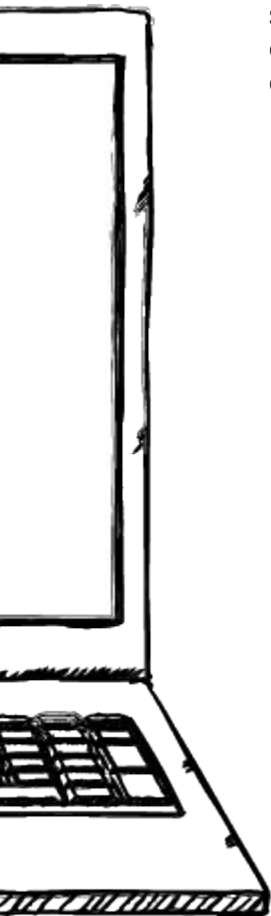
Dense cities are no longer the be all and end all for market growth and trade area capture. In fact, urban stores are struggling and growth opportunities are migrating elsewhere, along with some customers.

<i>Action Items for 2021</i>	<i>Outstanding Questions for 2022</i>
<ul style="list-style-type: none">• Invest in analytics for the organization to monitor performance by market• Evaluate the potential of more rural or suburban markets while redefining the urban strategy	<ul style="list-style-type: none">• How have our customers changed?• Where do our customers now live?• How are we engaging customers to drive loyalty and insights?

3. Retail Prescribed by the Consumer

Consumers are delighted by personal retail experiences, where products and services have the power to tell a story and emotionally connect them to their community. This personalization is required in order to deliver on new consumer expectations for the retail experience.

<i>Action Items for 2021</i>	<i>Outstanding Questions for 2022</i>
<ul style="list-style-type: none">• Work cross-functionally between teams to create a cohesive experience across digital and physical platforms• Allow the micro-market profile to inform how you plan locations	<ul style="list-style-type: none">• How are we collecting information from our customer to discover true insights on meeting their desires?• Which products should we offer by geographic market?• Which products excel in which channel (digital or physical)?



4. Real Estate Teams do more than Secure the Dirt

More than ever before, the consumer must feel represented - in service, product options, marketing, beliefs - in order to be captured, and an intimate understanding of the consumer must underpin all strategy decisions for the organization. Retail Analytics must include a location dimension or lose the nuance of a local market.

Real Estate teams have decades of experience in planning markets, identifying geographic nuance, and intimately understanding different areas. These teams now have an opportunity to share their knowledge and insights on location into other parts of the organization to advance the overall growth strategy.

<i>Action Items for 2021</i>	<i>Outstanding Questions for 2022</i>
<ul style="list-style-type: none">• Make organizational investments into systems to manage internal data alongside external datasets used by research and location analysis• Leverage the knowledge and experience of Real Estate to inform strategic decisions for merchandising, store planning, operations, and marketing	<ul style="list-style-type: none">• What data are we collecting, creating, and managing to more deeply understand our business?• How often are we considering location as a key factor in our analytics?• How can we share data cross-departmentally or with strategic external partners?

5. De-Risk Brick & Mortar Strategy through Experimentation

Exploring what it means to have digital roots, use different store formats, or redefine your in-store experience takes radical experimentation from Retailers. Market Planners need in-depth insight into the potential of different markets in order to advise on what areas are prime for experimentation, and what the overall tone of the experimentation might be.

<i>Action Items for 2021</i>	<i>Outstanding Questions for 2022</i>
<ul style="list-style-type: none">• Develop a task force to lead brand experimentation involving stakeholders across the organization• Classify markets and stores by those ripe for experimentation, versus those that can maintain the status quo	<ul style="list-style-type: none">• How can data help us measure change?• What is our data roadmap?• What plans do we have as an organization to leverage data and analytics?

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