

How to Stretch the Research Budget

Guidelines for Getting the Best Return on Your Research Dollar

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Abstract: *Research budgets are among the first to be reduced when cost-cutting becomes necessary. However, optimizing the return on the remaining research expenditures ensures ongoing access to valuable decision-making and marketing tools. This article outlines cost-effective strategies that should be employed to reduce the impact of budget cuts while maintaining the integrity and value of research.*

The current sluggish economic environment has exerted enormous pressure on the budgets of shopping center owners, managers and their retailers, and research spending has been reduced. However, the price of reduced or no research (i.e., bad decision-making due to a lack of information) makes any initial cost saving illusory. Fortunately, research personnel can take steps that support ongoing fiscal objectives and reduce the loss of research effectiveness.

Market research and consumer research dollar maximization includes priority setting, optimizing in-place systems, information and cost sharing, understanding previous analyses and conducting research in a thoughtful and systematic manner. Priority setting includes building on a strong foundation of research for the existing portfolio, identifying research assignments with the most potential users and eliminating unnecessary research. Underused in-place systems should be aggressively identified to improve the research process and make it more efficient. Internal and external joint research efforts reduce costs and add a new perspective to the research process. Past studies should not automatically be dismissed because they are a couple of years old, and the way research is conducted must be constantly challenged. It affects not only its quality, but its cost.

Rank Order Research Needs

A tactic center managers and retailers sometimes take is focusing their research budget on new tenants and new stores. New development is more exciting, involves more decision-makers and provides more press than the existing portfolio. However, the existing portfolio generates more revenue than new units, and it is more profitable due to a generally lower cost basis. Therefore, finite research resources should initially be directed at existing locations.

The following should be considered as research plans are prioritized:

- *Use research to understand the fundamental relationship between the existing business' customers and its sales.* This will not only help grow existing sales, but also establish benchmarks and analogs for new development. Once a strong research foundation of existing locations is in place, subsequent analysis is often merely an update, and is typically less expensive. Frankly, it is not clear how the strength of a potential new site can be determined until the drivers for existing strong sites are identified and understood.
- *Complete analyses with the most potential benefits first, and identify ways to combine studies.* For example, the advertising department may be looking for ways to geographically target their message and real estate wants to identify gaps in a market for a new store. Since both assignments require understanding the existing customer base, they could be combined. This benefits more than one area in the company, reduces time and cuts total costs.
- *Follow up with in-house users of research on a regular basis.* What research is important to decision-making or marketing and what research is not? Are some elements of research presentations unnecessary? Continue the meaningful research and eliminate the rest. This is particularly true of ongoing periodic reports with limited circulation. They may have been requested by a member of senior management who is no longer at the company. Often, those remaining on the distribution list do not use the report, and the report should be discontinued.

In-Place Systems

The most basic element of retail research is building an understanding of the shopper base. Where do they come from, what do they buy and where else can they get it? Retail locations generally attract customers from residential trade areas, daytime population bases and tourism.

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Understanding this allows for an estimate of the overall potential of a site, and an inventory of appropriate competition determines how the potential is allocated.

A traditional approach to understanding this shopper base involves employing consumer research. The most accurate and thorough way to learn about shopping behavior, this approach also allows for the gathering of information from non-customer trade area residents. However, consumer research is expensive and generally time-consuming. Therefore, in some cases, it is appropriate to initially consider in-place point of sales (POS) systems, customer loyalty programs and credit card purchase patterns as partial surrogates for consumer research.

It is not surprising that technology allows retailers to install sophisticated POS systems which can give them detailed customer tracking capabilities. However, it *is* surprising when in spite of the investment, these technologies are not exploited. Many retailers underuse or fail to use potential research findings from their POS systems. This failure can be due to separate reporting structures between operations and real estate, personnel changes, perceived cost savings or simply a lack of follow through.

Subject to appropriate customer confidentiality practices, companies with POS tracking systems should provide the available rolled-up data to as many internal areas as possible. It makes no sense to collect POS data and not convert it into research information that will optimize the return on the POS system investment.

Research-rich customer data can also be obtained through loyalty programs and credit card purchase patterns. These data may currently be used only by merchants and advertising. However, real-estate research can put this information to equally good use in understanding the spatial distribution of store customers and their spending patterns.

When the accuracy and thoroughness of traditional consumer research is needed, in-place resources, such as POS systems, loyalty programs and credit card purchase patterns, can ultimately make it better. They can be used to identify target geography for phone interviews and raise important questions and topics for focus groups.

Research Synergies

Center managers with limited market data may be able to share their tenants' research, and tenants without access to research can often benefit from their center managers' analysis. While the tenant/landlord relationship can be adversarial during lease

negotiations, the relationship really should become a partnership once the store opens. Both parties benefit from research-inspired sales performance increases.

Anchor tenants, particularly those with research departments, can be valuable sources of market information. Anchors may be willing to provide ZIP code-based trade-area geography derived from customer charge card activity. Depending on their sister store placement, anchor trade areas can be strong surrogates for the center trade area. But do not ask for anchor trade area data if it is to be used to solicit a competitive anchor. Anchors are more willing to share data if it will be used to strengthen the center through targeted marketing or add tenants that will complement the anchor.

Centers may sponsor customer loyalty programs or have access to consumer research that would be valuable to individual stores. All centers generally track tenant sales and may be able to identify growth patterns by store type—information that could influence merchandising strategies within individual stores. Some centers track traffic which can be linked to time of day, day of the week and center promotions. These data may be useful to stores for staffing and stocking decisions.

Tenant and shopping-center research requirements may overlap and provide an opportunity to share expenses. This is particularly true in the area of consumer research when using telephone or customer intercept interviews. When consumer research is being conducted for a center or a tenant, it may be a simple matter to add questions for a corresponding tenant or center for little or no incremental cost. By sharing, both parties receive their required consumer research for less than the cost of completing an independent study.

Shopping center-based consumer research tenants sometimes have sections in their leases which provide for free or reduced-rate research. This often overlooked clause could be an economical way to determine an intercept-based trade area for the subject center or identify tenant types consumers would like to see added to the center. Check with the leasing team or lease administration to identify tenants having research obligations in their lease, and consider including free or reduced-rate research into future research tenant leases.

Past Research Studies

An often overlooked source of detailed market intelligence is past research studies. Site-specific

studies are typically prepared, acted upon and filed, and they never again see the light of day. However, subject to competitive changes, current demographics can inexpensively be run for previous studies' trade area definitions. The competitive inventories of past research and competitor performance estimates are quicker to update than starting from scratch, and past strategic recommendations are worth considering. They may trigger possible update suggestions and new ideas.

Previous non-site-specific analysis often includes market strategies and consumer research, and these studies have a longer shelf life than site-specific studies. Market strategies typically include the strengths and weaknesses of the area and inventories of major competitive nodes—information with a multi-year lifespan. Review the recommended strategies and verify their implementation. Find out what worked and what did not work. The customer profile of past consumer research can still be relevant and should be reviewed from time to time. It should be possible to reduce the scope (and expense) of new consumer research by focusing primarily on areas not addressed by previous research.

The failure to consider past research seems to occur most often if there has been personnel turnover within the department conducting the research. Do not fall into the trap of assuming work done by previous leadership is flawed. Review past analysis and look for ways to use it in future decision-making. While some elements of previous research will have to be updated, other aspects are often still relevant. It is easier and more satisfying to design new research than to examine and exploit what has already been done. However, the benefits of reviewing and understanding previous research can be significant.

The Research Plan

The approach to research should be well thought out and include the option to be stopped early if appropriate. For example, if a center is being considered for acquisition and redevelopment, break the research process into two parts: First, based on market and competitive considerations, should the center even be acquired? If the answer is no, do not spend time or money exploring redevelopment scenarios. Proceed to the second part only if the market and competitive elements analyzed in the first part suggest a reasonable expectation of upside.

Companies working with outside research consultants should request stepped proposals which contemplate ending the analysis (and reducing cost) before all elements are fully completed if certain market and competitive hurdles are not met. Internal research functions should report preliminary findings to the project's sponsor and recommend stopping further analysis if the final findings clearly will have no chance for implementation or success. The key to effective stepped research is the order in which it is conducted. This can only be determined by carefully formulating a research plan before the analysis begins.

Summary

An objective financial return on research expenditures can be difficult to calculate. However, if research dollars are optimized with an effective plan which incorporates priority setting, exploiting underutilized in-place systems, developing research partnerships and learning from past studies, the return will only improve. It may not be any easier to calculate, but the cost of bad decision-making with no research will never justify the perceived savings.



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