Section 2 Guest Lecture
Understanding Market Opportunity
Guest: Dr. Tony Hernandez

Hi, this is Linda Peters of Esri. I would like to welcome today Dr. Tony Hernandez. Dr. Hernandez is director at the Centre for the Study of Commercial Activity, a university research center in the Eaton Chair in Retailing at Ryerson University.

Dr. Hernandez: Hi Linda, thanks for the invite. It's a pleasure to be a part of your online course. Linda: Thanks. Dr. Hernandez, as director for the centre, can you tell us, from your perspective, why it's essential for a business person to understand the importance of location analytics?

Dr. Hernandez: Yeah, I see location analytics at its kind of broadest level, as the way that businesses are able to view their operation spatially. So let me explain that. It provides businesses with a lens through which they can assess how they're meeting the needs of their customers in the markets within which they operate. So from my perspective, location analytics involves three key elements. One is understanding demand—that's really identifying and understanding your target and your customers. Second part is placing supply to meet the needs of the target customers—that's putting the store in the right place. And the third part is really understanding how demand interacts with supply. So that's how, why, when, and where customers shop. So from this perspective, location analytics is really at the heart of business decision making.

Linda: So this week, the students are learning about market planning. What do you see is the significance of spatial analysis and geography to market planning?

Dr. Hernandez: Well, I think, quite simply, market planning is really mission-critical for a business. It's the roadmap businesses can use to drive towards profitability. So, you

know, if you look at market planning, it really involves applying location analytics with the aim of maximizing a business' return on investment. So if we want to put it simply, effective market planning is concerned with really squeezing out as much profit as you can out of a market. And to do this, you really need to understand not only your customers and your own store operations, but you also have to factor in your competitors. Where are they located? What do they offer? How do you compete? You also need to know how the competitive landscape is changing…how consumers are changing. What is it the businesses need to do in order to remain competitive and relevant to the consumers? So, where should we grow our store network? What should we offer in which locations? What will happen if we acquire competitor X or Y? Are we cannibalizing sales from our own stores? You really need to know your market, understand the locational aspects of the market. And there's the old maxim in business…there's location, location, location. And I think that really holds true and that holds market planning together. It's through location that businesses access and serve the market.

Linda: Well, I know that you've done a lot of work in the years over retail location planning with your students. Can you tell us a little bit more about how location impacts retail, and maybe how it's changed over time?

Dr. Hernandez: Yeah, I think, you know, if you look back on it, there's really a rich history to retail location planning. So, you know, retailers have long known the importance of location to their overall business, and a few things to think about when we talk about location. Well, first, location decisions are—they're really expensive. You know, it could be from a few million dollars to build one store to billions of dollars if you're going to be acquiring a competitor. Second, location decisions, they have inertia. So once a retailer makes a location decision, it's really difficult and potentially extremely costly for them to change the decision. And the final element is the location decisions are really visible. They're visible to your customers, and they're visible to your competitors. See if you make mistakes with location decisions, so, they really resonate across the entire business.

Linda: So what do you see as the benefit of using GIS and location analytics?

Dr. Hernandez: Well, the thing—you know, fundamentally, GIS has become really a linchpin within many business organizations. It provides that kind of information management approach and a set of analytics and visualization tools that are centered on location, so location is used to fuse that data together from all across the organization and beyond. As we see increasingly larger datasets and the growth of big data, location analytics is now being used by an ever-increasing number of professionals from across industry sectors to assess their business operations. Now this can range from major decisions regarding the acquisition of competitors, right down to ensuring the on-time delivery of goods and services to the customers. So GIS has, in many ways, become a communication tool. If you like a common language, a way of simplifying information, revealing trends in data, highlighting data of concern, and you know, while big data analytics has definitely introduced a whole host of new tools and techniques, GIS really does remain that key to unifying data. Analyzing and visualizing that critical aspect, which is location, location, location.

Linda: That's great, Dr. Hernandez. I want to thank you. It's really interesting to hear your thoughts.