Section 3 Guest Lecture

Site Selection: Choosing the Right Location

Guest: Larry Carlson

Hi, this is Linda Peters of Esri. I'd like to welcome today Larry Carlson of Carlson and Associates. Larry, you've directed location strategy for well-known companies such as Target and Kmart. What's the relevance of geography? Why does location matter to business?

Larry: Well, if I were to use the definition of geography, to me, it's understanding spatial relationships. And in the retail business, of which I've been involved for over 30 years, essentially what I've tried to do is direct people...direct myself in finding the right locations to match the demographics of our retail, look for areas where there's potential growth, assess competition and where it is, and basically put all the pieces together and come up with a location strategy that works with the company that gives us the best potential for success.

Linda: So what's your motivation for doing that? Why is that important to you and your business?

Larry: Well, as far as my business, which is where I'm asked by clients to help them, it's extremely important because it involves the selection of sites. Are they good, bad, or otherwise? Are they marginal? Will they give you good results in terms of market potential? And are you strategizing correctly? So you cover the market properly and you get the right market share. And, you know, if I can give somebody the right answers, then it's a win for me and it's a win for my client. And in the case of Target and Kmart, it was a win for the companies while I was there.

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Linda: So as a business, the benefit for a company like that is, as you say, getting the right market share. What's the benefit of using location analytics in that process?

Larry: Well, when you talk location analytics—today when most people in our business talk location analytics, they're usually talking modeling. And when I look at location analytics, technically, I suppose I could call what I do modeling, but what I really look for are examples where there are successful locations and look at what I call analogs and determine if the new site matches those. Or I might do some kind of a regression analysis to see what factors seem to predict sales of existing locations. Or do some kind of a spatial allocation model—I call the gravity model—where you look at a market and you basically determine the probability of a customer coming to your location based upon the quality of your location and the distance of that customer to the location. So in a broad sense, that to me is location analytics. The only thing that I would add, with me being in the business as long as I have, there are specific examples of many types of retailers and what they've done, where they've made it work, or they've done it wrong where it hasn't worked. You know, I mean just to give you—I mean there are plenty of examples, but why is Walgreens always the leader in a market once they get the right number of stores? It's because they pick Main and Main. They pay more money for Main and Main, but they do better at Main and Main. And then where you had Builders Square, which was kind of a mediocre home improvement business in Texas, when they were bought by Kmart, Kmart kind of allowed them to pick basically marginal locations and Home Depot came in and picked Main and Main and, you know, did much, much better. And, by the way, you know, for 25 years, McDonald’s always located in the strongest location on any major artery and then everyone else followed them because they knew McDonald’s was going to be a success. And so, you had a leader finding best locations and everybody went next to them and they're slightly secondary. Interesting.

Linda: That's great, Larry. I want to thank you. It's really interesting to hear your perspective.

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