



The impact of locations on online sales

How to achieve the optimal
balance of physical outlets
and digital delivery



Introduction:

The pandemic has changed the way consumers buy and make decisions about buying. But even before that, the rise of digital and its connection to physical locations was a phenomenon that retailers and brands were striving to understand and exploit.



**The consumer moved five years forward in the first two weeks of April 2020.
The impact on space is here to stay.**

There's no doubt that the pandemic has changed a great deal on the high street and in e-commerce. But how much of that change will stick? Optimising the mix of stores in context of online has become even more important as new consumer preferences and habits settle and trends emerge.

At CACI, we've developed a robust model using our InSite location data intelligence platform, to help retailers assess the relationship between their sites and their digital sales, using a blend of market and performance data.

In this mini report, we explain how the model works and how it can help you optimise bricks and clicks for maximum market share.



Andy Maiklem

Associate Partner
amaiklem@caci.co.uk



Chris Thompson

Director of Location Analytics
cthompson@caci.co.uk

A new consumer reality means a new commercial reality



The consumer moved 5 years forward in the last 2 weeks of April 2020. The impact on space is here to stay, this is a new consumer reality.



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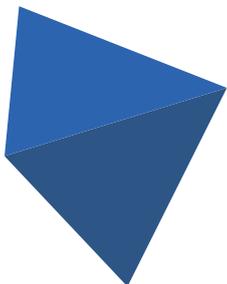
**Live Local,
Love Local**

2

**Revaluation
of our work life
balance**

3

**Transformation
spend**



The multi-channel, post-Covid retail landscape

A new consumer reality means a new commercial reality. Retailers and network operators need to identify consumer behaviours, preferences and choices that are now very different. They need to understand the impact on their networks and brands.

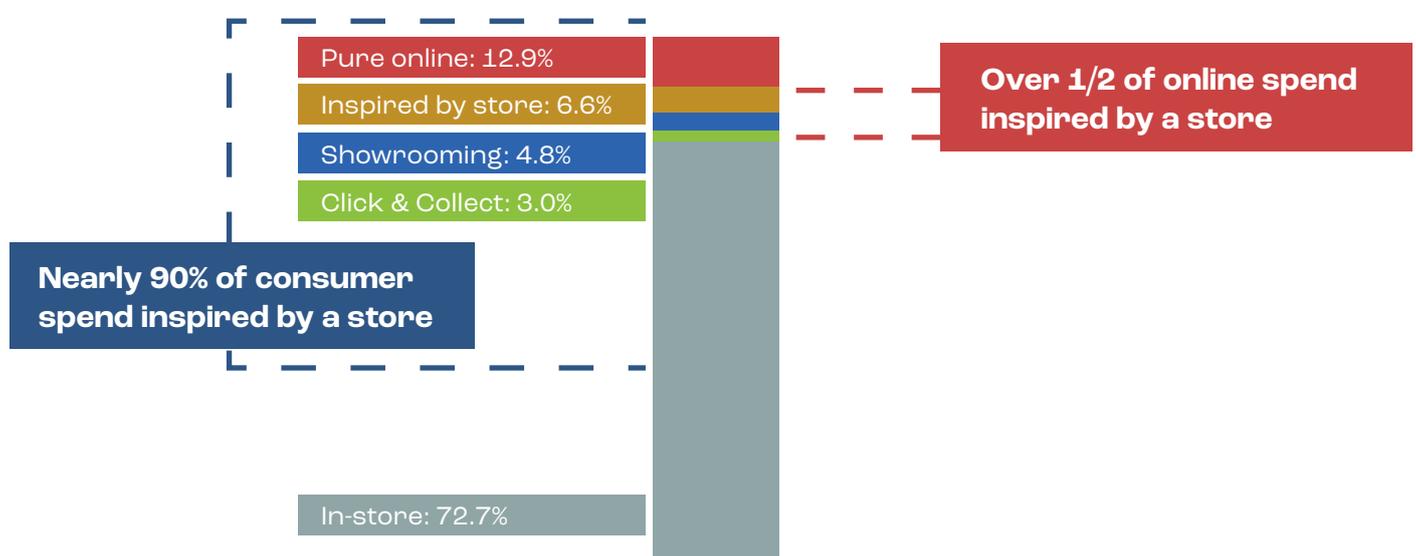
Live local, love local: many consumers have learned to enjoy nearby outlets and independents during the pandemic; they also know it's a good choice for sustainability

New working patterns: work-life balance has made people spend time in different places and adopt different routines. They've got used to buying online instead of around their workplace, so there's more online spending

Transformed spending priorities: people value and have high expectations of leisure and recreation now that they can enjoy it again. People have learned new domestic and practical skills and adopted new hobbies in lockdown.

Calculating the true value of a store

Stores are far more than simply a place to transact and purchase goods. Maintaining a strong and engaging high-street presence can significantly increase digital sales.





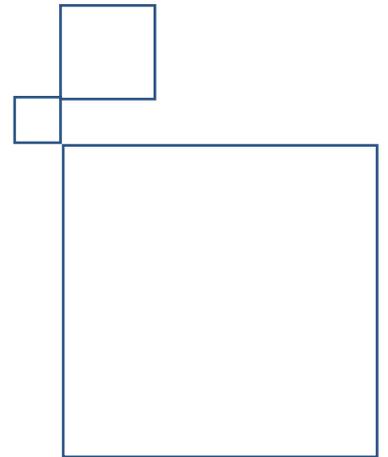
The retail impact: Smaller pie, smaller slice

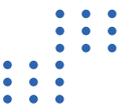
There's a double whammy for physical stores. There's less consumer spending overall and a faster channel shift towards digital. More people have embraced the convenience of digital and won't give that up easily. In-store spend is impacted twice.

Right now, that means traditional retail will get a smaller slice of a smaller pie. Time will tell whether these trends continue, slow down or reverse.

There has been **+38%** growth in online sales in 2021 vs 2019

There has been **-21%** decline in store sales in 2021 vs 2019





The online halo effect: fact or myth?

The online halo effect is considered with suspicion by some. It's much discussed, but not always well understood, in our view. That's because it's difficult to isolate and quantify.

Most organisations only have the capability to measure store performance by valuing in-store transactions. But there's qualitative evidence from consumer research that a store is far more than just a place to transact and purchase goods. Maintaining a strong and engaging high street presence can significantly increase digital sales.

Our research shows that stores can be powerful and versatile in connecting customers with brands. This applies in every retail sector – from fashion, sports, beauty and home furnishings to automotive and the leisure sector, including casual dining and delivery services. Some retailers already incentivise store managers to encourage multi-channel purchasing.



**Over half of online spend is inspired by a store, according to CACI research.
Nearly 90% of all consumer spend is inspired by a store.**

Opening, closing, consolidating or repurposing a store can have a significant impact on the bottom line, beyond the simple loss or gain from its on-site sales. Store presence in a location can have a positive influence on on-line sales. Conversely, a poorly run or dingy local venue can create a negative halo effect.

CACI has developed an evidence-based approach to assessing the total value of a store. Based on reliable data insight, this is a commercial measure that's key for strategic decision-making and to drive performance from a store or outlet network.

We're already working with major retailers to calculate the true value of their stores and sites, to support their strategic planning.





How it works: measuring the impact of a location on online sales

The online halo effect is seen as a complex concept that's difficult to quantify accurately. We've addressed this by developing an evidence-based method to calculate it.

The Challenge:

How to measure the impact a physical location has on my online sales

The Solution:

Blend market, location and commercial data to see the true impact

There is a common-sense relationship between location and online sales. When consumers recognise a brand from local exposure, they're more likely to seek and find it online. At a certain point at the far reaches of the catchment, there will be a spike in online sales, because the physical store is not easy to reach.

But we need more subtlety to make this a truly robust analysis:

What about overlapping catchments?

What about market share?

Don't big online sales follow affluent catchments?

What about areas with no location as a benchmark?



Our approach uses InSite and our market data sources in a robust and accurate way to build in all these key considerations. We allocate a market share of online sales to a store's core catchment to avoid double counting, using Retail Footprint. We use transactional data to create a tailored basket of competitors for online market share comparison. Then we benchmark against a similar catchment with no store in it, using Retail Footprint.

Calculating Online Halo. CACI have developed an approach which tackles these issues



Allocating sales

Double counting

Core catchment

Market share

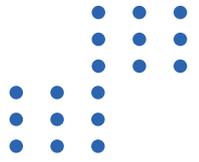
Comparison

Halo insight in action: Measuring the effect on the high street

We applied our approach to the high street retailer Zara. We used publicly available data to assess the Zara store network and online sales. Our analysis showed us that for Zara there is a 43% uplift in online market share that's attributable to the halo effect of the chain's high street presence.

Our report also highlighted some locations that are not having a positive impact on online market share. A follow-up analysis could investigate what's different about these stores – can the effect be reversed or are there other reasons why the store is adding no online value?

Optimising your portfolio for overall value

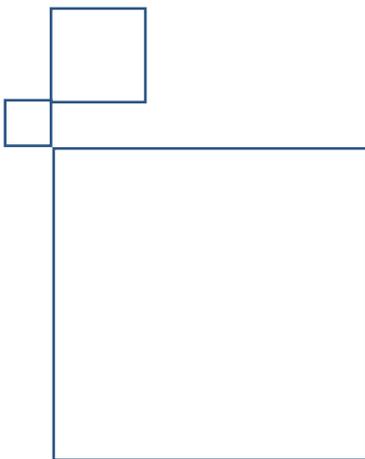


To maintain growth in a challenging retail market, retailers must optimise their store and digital network. That means understanding who your customers are, where they live and how they shop.

You need to find the best potential locations for your brand, and to understand where and why there may not be enough overall potential in a particular catchment to support an outlet.

We're already using InSite data intelligence to help multichannel retailers optimise their portfolios in a range of strategic ways.

- Calculating online halo by location and format – using our retail and leisure catchment models
- Developing a digital first network strategy – using our Retail/Leisure Footprint and Acorn
- Determining the best format, range mission and occasion – using mobile app data and Convenience Clusters
- New performance-based lease modelling – using Retail/Leisure Footprint catchment models and mobile app data
- Assessing the level of risk from network changes – using Spatial Modeller and InSite
- Benchmarking local performance vs competitors – using Acorn coded transactional data





Conclusion:

Vital insight to drive your business growth in the future

The online halo effect is much discussed, but to date it's been difficult for network operators to make robust business decisions based on speculation. It's certainly a complex measure, but a critical one to understand in today's disrupted retail market.

At CACI we've found a way to quantify the online halo effect accurately, using proven methodology through InSite and a blend of trusted datasets.

We can help you see the true value of each of your locations and make portfolio and proposition decisions with confidence. We can help you apply our core model, or we can further develop a bespoke model that tackles your unique business challenges and opportunities.

See what CACI's online halo effect modelling could do for your network by booking a live online InSite demo with one of our location data experts. We can show you the halo effect of an existing or planned location and help you understand the potential value of the insight for your portfolio.

Find out more about the online halo effect by downloading our detailed report: [The online halo – how bricks are driving clicks](#)

Understand the principles of objectively measuring store contribution to determine leases, by downloading our specialist report: [CACI Performance Lease: Getting started](#)





| Call: +44 (0)20 7602 6000

| Email: info@caci.co.uk

| Web: caci.co.uk

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