



Retailers, Data Sources and Cities

Bridging the Information Gap

*Social Compact**

Abstract: *In the winter of 2007, Social Compact and the International Council of Shopping Centers (ICSC) embarked on a joint research effort to bridge informational gaps in retailers' site selection processes in urban neighborhoods. Social Compact conducted in-depth interviews with 13 retailers from a wide range of industries. Based on the research findings, this article addresses indicators retailers desire but are currently unable to obtain; identifies a couple of innovative data sources; and highlights a major initiative to provide easy access to national standardized data. The paper concludes by briefly reviewing how forward-thinking cities are responding to the information gap in the economic development field and provides recommendations for overcoming obstacles to private investment in inner-city neighborhoods.*

Site Selection in Inner-City Markets

Retail development is often heralded as a pathway to urban economic development, benefiting both the business community and neighborhood residents. Still, the prospect of identifying feasible store or branch locations in inner-city markets remains difficult. Challenges such as non-traditional housing arrangements, ethnic diversity and informal cash-based economies, together with certain “urban myths”¹ complicate the process of adapting suburban store models to the urban landscape and catering to the needs and preferences of urban consumers.² Siting new stores or branches is a paramount decision for all retailers and it is one that can determine a retailer's success or failure. Understanding retailers' site-selection processes in urban areas is key to better understanding the diverse challenges that retailers face. While there is a general understanding that retailers use market and demographic data to make site assessments, there remains a large informational void regarding which indicators and data sources are key decision-drivers, how they impact those decisions and why. This article looks at potentially valuable indicators that are either unavailable or difficult to obtain, draws attention to a couple of innovative data sources, highlights a major initiative to provide easy access to national standardized data, and briefly reviews how forward-thinking cities are responding to the information gap in the economic development field.

Retailers' Preferred Sources of Data

In the winter of 2007, Social Compact and the International Council of Shopping Centers (ICSC)

embarked on a joint research effort aimed at bridging this knowledge gap by conducting in-depth interviews with 13 retailers from a wide range of industries. Retailers were asked to provide insights about their site-selection processes by responding to a series of questions based on the following four themes:

1. Indicators that drive retailers' site-selection process
2. Data sets that retailers most commonly use
3. Indicators retailers wish to obtain yet are unable to do so
4. Factors that can transform an undesirable site into an attractive one

Demographic and market indicators constitute one of the fundamental decision drivers in retailers' site-selection processes. Social Compact's study revealed, amongst other findings,³ that the data used in market predictability models comes from a variety of sources. Eight of the 13 retailers affirmed that they combine data purchased from proprietary sources (i.e. Claritas, PopStats) with data that they collect on their own. Among interviewees, the most commonly used data sources are: U.S. Census Bureau, Claritas, PopStats and the United States Postal Service (USPS).

Retailers, Their Intuition and Their Approach to Urban Markets

At least half of the retailers interviewed mentioned that the data gathered for the site selection process does not always match their intuition, especially with respect to inner-city neighborhoods. When this is the case, retailers respond by:

* Social Compact is a U.S. not-for-profit corporation whose mission is to help strengthen neighborhoods by stimulating private investment in underserved communities.

¹ These myths include the belief that supermarkets cannot be successful in the inner-city and that local residents will not make good employees. For a larger discussion about these myths see Gutman, Harvey M. “The Inner City Supermarket—Myths and Reality,” *LISC's Commercial Advisor*, Winter 2008, p.1 and p. 7.

² Miara, James. “Retail in Inner Cities,” *Urban Land*, January 2007, pp.98-105.

³ All of the findings can be found in Social Compact's complete study, “Inside Site Selection: Retailers' Search for Strategic Business Location.” This study is available at <http://www.icsc.org> and at <http://www.socialcompact.org>.



- a. seeking alternative data that corresponds to their intuition,
- b. gathering evidence about the market potential of certain areas,
- c. conducting their own field research to do a “reality check” about the site under consideration, and/or
- d. investigating incentives that could potentially decrease the cost of opening stores.

Retailers’ data-collection methods vary and range from sophisticated customer surveys to less complex tactics such as observing and counting patrons in a grocery store. For example, one interviewee shared that, in cases where traditional market data does not match their intuition about a neighborhood’s market potential,

now when their decisions will have become realized investments.

The study also revealed that land availability, market demand to support a particular business, and evidence of that market demand are the three most commonly cited barriers to locating stores or branches in inner-city neighborhoods. Retailers’ reliance on generic market data to demonstrate demand, combined with their lack of awareness of particular data sources, highlights an informational void in the economic development field.

Table 2-1

Unavailable and Desired Indicators for Retail Development	
1	Daytime Population
2	Educational Attainment
3	Ethnic Composition
4	Household Change
5	Income Change
6	Pedestrian Traffic
7	Population Change

Source: Social Compact

Innovative Data Sources

Traditional data providers, such as Claritas, dominate the field and have become the preferred source of information regardless of other, sometimes more complete and/or accurate, alternatives. In addition, new data providers, such as the Federal Financial Institutions Examination Council (FFIEC),⁴ have yet to successfully advertise their data products to retailers. As a result, important sources of information that could provide necessary evidence and desired indicators are inadvertently overlooked by retailers, despite valuable efforts, both on behalf of retailers and data providers, to facilitate access to current and nuanced demographic and market data.

the real-estate team takes a trip to the site and nearby supermarkets. According to this respondent, visiting a neighborhood grocer can provide a clear sense of that particular neighborhood’s consumer demographics (ethnic composition, age, education, etc.).

At least half of interviewed retailers mentioned that they would like to have data that demonstrate neighborhood change. One data set that has lately received increased attention and provides this kind of information is the Home Mortgage Disclosure Act (HMDA) data. This dataset contains information submitted by all lending institutions pertaining to applications and successful closings for home-purchase and home-improvement loans and includes useful data points on home sale values and on new homeowners’ income, race, ethnicity and gender. Furthermore, these data—all information that can be used to track neighborhood change over time—are provided for each calendar year at the census tract level.⁵

Unavailable/Hard to Find Data

Retailers expressed general satisfaction with their ability to gather data and to find alternate ways (such as site visits) to successfully evaluate potential sites. However, when asked which market indicators currently unavailable to them would be most desirable, the three most common answers were, as shown in Table 2-1, indicators that show short-term neighborhood change, ethnic composition, and educational attainment. For retailers, indications about future change are very important. Given the often lengthy site-assembly and deal-making processes, retailers want to know how a neighborhood will change one, two, and five years from

Data Democratization

One noteworthy effort to bridge the information gap in the community development field is that of KnowledgePlex and its DataPlace initiative. DataPlace aims to provide a one-stop source for a variety of housing and demographic data, including HMDA data.⁶ DataPlace was developed as an effort to respond to field practitioners’ (such as policy makers, researchers and

⁴ The FFEIC’s National Information Center (NIC) contains and provides online access to a wealth of data about banks and other financial institutions for which the Federal Reserve has a supervisory, regulatory or research interest.

⁵ HMDA data are available for download at the Federal Financial Institutions Examination Council’s (FFIEC) website <http://www.ffiec.gov/hmda/default.htm>.

⁶ DataPlace’s library is in the process of expanding to include information regarding business establishments.



community organizations) desire to obtain easy access to relevant data. “The goal is to harmonize free data for a community of users,” says KnowledgePlex CEO Troy Anderson. “DataPlace provides easy access to national, standardized data, starting at the census tract level, as well as simple, powerful mapping tools.” While DataPlace is a platform developed for affordable housing and community development professionals, it can also be useful to retailers’ site-selection processes and to city officials and community groups working on retail attraction and development.

Cities’ Response to the Information Gap

Municipal governments also recognize that data is an essential tool, particularly in making the case to developers and retailers that their investments will pay off, and are increasingly aware of the wealth of data that they hold. Olga Savic, Acting Vice-President of Business Development of the Detroit Economic Growth Corporation (DEGC), affirms, “Claritas, Census and other traditional sources of data cannot capture what is going on in Detroit. These indicators are unable to capture dynamic change and positive revitalization activities in our neighborhoods.”⁷

Accordingly, cities should share as much information about a site as possible, particularly because they possess a wealth of data too often either untapped or underutilized (such as Building Permits, Tax Assessor, Business Licenses, Crime Statistics, Water and Electricity Consumption, etc.), which could influence location decisions. In addition, supplemental city information regarding development history, future plans, phasing and financing incentives, made available for unique sites, could be useful to retailers. Broader dialogue and increased collaboration between cities and retailers can only serve to bridge the information gap, resulting in shared understanding around urban development.

Recognition of the importance of data, as well as increased interest in high level information, has prompted cities to make conscious efforts to clean, standardize and utilize key data sets effectively. While staff capacity and privacy issues can hinder cities’ ability to use their data as effectively as possible, many cities, in

recent years, have slowly changed their approach to data gathering and organization. Various cities—such as Baltimore, Cincinnati, Detroit, Miami, and San Francisco—are among those making the effort to prepare demographic profiles using new and more accurate data for their retail attraction and development efforts.

Overcoming Obstacles

The unrealized potential that exists in inner cities is implicit in retailers’ ambition to better understand urban markets. The role that retail investment can play in economic development and the efforts made by both public- and private-sector stakeholders to tap investment opportunities in urban markets necessitate enhanced collaboration among retailers, cities and data providers. It is apparent that both local government and retailers will benefit from becoming more acquainted with the perspectives and approaches of the other. Closing the existing information gaps on urban markets, such as those mentioned in this article, will likely result in increased investments in inner cities.

There are two obstacles which the economic development field must overcome in its efforts to bring private investment to inner-city neighborhoods: stakeholders’ limited use of new and valuable data sources, providers and tools; and the unavailability of certain desired indicators. While the field has not yet developed the means to address new and meaningful indicators to complement currently available information, several steps can contribute to improving access and use of data. Retailers should continue their efforts to identify alternate sources of data and employ alternative indicators better suited to urban markets. Similarly, innovative data providers, when able to do so, should make a conscious effort to reach wider and more diverse audiences. Cities and community development corporations must continue to become more data savvy and educated about innovative, available and easy to use data sources and tools. Finally, increased cross-sector collaboration amongst all stakeholders remains essential. The establishment of a data intermediary in the field could also constitute a major step to closing the informational gap.

Social Compact is a U.S. not-for-profit corporation led by a board of business leaders whose mission is to help strengthen neighborhoods by stimulating private market investment in underserved communities. Social Compact accomplishes this through a variety of tools developed to accurately measure community economic indicators and to provide this information as a resource to community organizations, government decision makers and the private sector. Social Compact is at the forefront of identifying the market potential of these areas and believes that a public-private partnership that involves community members and leverages private investment is the most sustainable form of community economic development.

⁷ Phone interview with Olga Savic, March 28, 2008.