precisely

Case Study:
Rexall uses geospatial data analytics to align offerings with demand

Overview

The drugstore marketplace in Canada is highly competitive; it has grown in recent years to encompass more than 10,200 pharmacies. In this environment, some have tried to establish a competitive advantage by broadening their scope of care. Many consumers have reacted with expectations for additional products and services. Rexall has responded to this demand by expanding offerings for cosmetics, food and everyday living products.

Business challenge

For Rexall, site selection is business-critical. The lead time to open a new pharmacy is 18 to 24 months, so the company's real estate strategy demands a long-term commitment to each project. Upwards of 20 Rexall staff work on an ongoing basis to execute the site-selection strategy, including assessing the current portfolio of stores and applying a predictive model to identify and evaluate new opportunities. "We require a focused, targeted approach to retail site selection," says Dave Bolan, the company's director of market development. "We have to optimize the deployment of our development capital and real estate resources. We need to continually evaluate our portfolio of stores, to identify underperforming and high-volume stores. We need to identify key marketing and merchandising opportunities, as well as accurately understand the growth potential market by market. And, of course, we have a commitment to our stakeholders to ensure the greatest possible ROI."

Solution

Rexall turned to Precisely for help optimizing its real estate and capital investments. The pharmacy chain has been using Spectrum Spatial Insights for more than a decade to support site-selection decisions. "Spectrum Spatial Insights helps us be selective and targeted in our approach when entering new markets and optimizing existing ones," Bolan says.

The Precisely solution incorporates Rexall pharmacy sales information and front-shop customer survey results with abundant demographic and geospatial data from Precisely. It then applies a finely tuned analytics engine deployed on the Precisely the Spectrum Spatial Insights mapping and analytics platform to run sales projections for both the pharmacy and the front-shop components of each prospective site location. The solution additionally determines the degree to which the new store would cannibalize existing Rexall units.

Client profile
Rexall
rexall.ca

- More than 100-year history as one of Canada's most trusted pharmacy brands
- 470 store locations serving 200 communities across Canada
- Member of the Rexall Pharmacy Group Ltd., a wholly owned subsidiary of McKesson Corp.

"Precisely is truly integral to our expansion process and strategy, and a valued member of our team. No real estate or drug store acquisition decision is made without being run through and qualified by the optimization model set by Precisely."

— Dave Bolan, Director, Market Development, Rexall

Rexall management uses this information to set priorities when planning new stores. "Simply put, we are now able to look at our expansion blueprint through the Precisely optimization model and immediately know where we want to go, with a clear focus on markets and sites that have been identified as high-potential opportunities," Bolan says.

A "site pack" add-on to the Spectrum Spatial Insights solution provides snapshots of a proposed site's existing trade area business and projections for the new store's sales. These projections are used by everyone from the merchandise team to the president of the company as they plan for the future of the business. "The site pack report provides a quick summary, which is easily consumable by our C-level executives, but is also robust enough to offer day-to-day users the answers they need," Bolan says.

Rexall also leverages the predictive modeling to benchmark existing store performance on an ongoing basis by comparing actual sales with the model-generated projections. When an outlier's actual performance is either considerably better or worse than the model's prediction, Rexall management can take appropriate action. "In the case of an underperforming unit, Precisely enables us to quantify and correlate demand with store performance," Bolan says. "That gives us the insight and intelligence we need to work with our operations team to see what's going wrong with our strategy or in the marketplace."

Benefits

The analytic information from Spectrum Spatial Insights enables Rexall to effectively align its products and services with customer demand. It also averts staff time away from analyzing store locations that have low potential for ROI.

"The real benefit of Spectrum Spatial Insights is it enables us to make on-the-fly, immediate decisions about market potential," Bolan says. "That ability speeds up our decision-making processes, and it helps save time and travel expenses for our executives. We can quickly say no to projects that have low potential and then move on to the next opportunity."

Spectrum Spatial Insights now plays a central role in Rexall's decision process for the deployment of new stores and overall capital improvement spending. "This has been a real win for us," Bolan says. "Precisely is truly integral to our strategy, and a valued member of our team. The question is always 'What does Spectrum Spatial Insights say?' No real estate or drug store acquisition decision is made without being run through and qualified by the optimization model set by Precisely."

Technology used

- Spectrum Spatial Insights

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