UNDERSERVED MARKETS

“DOING GOOD & DOING WELL”

Presentation to
IESE Business School
Responsible Business Club Conference

March 04
Project Background
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Underserved Markets Concept
Case Study: Harlem US

Without adequate access to products and services, the residents travel outside their community to shop

Secure private investment to provide products and services so residents spend monies inside their communities

Seek uses that will generate footfall - additional shoppers - for existing businesses and the attraction of additional new investment
Project Background

Increase Consumer Demand
Increase Disposable Income
Increase Local Jobs
Increase Local Spending
Increase Local business sales
Increase Consumer Traffic
Increase Security
Fill unmet retail demand

Harlem Experience
Economic model of Retail as Investment tool
FOCUS GROUPS BROUGHT LIFE TO THE ISSUES

“All you can buy in my neighbourhood is tube socks and crack”

“We don’t buy big sizes in our neighborhood – hell, they don’t even have big”

“I leave the neighborhood because I refuse to be ripped off”

“They cater to what they think is in your pocket – we might buy cheaper, but we want the choice”

Source: Harlem Focus Groups
Case Study: Harlem USA
Investment in Underserved Markets

**Business Motivation**

- untapped buying power
- reduced competition
- new customer base
- access to ethnic and other emerging markets
Investment in Underserved Markets

Business Contribution

- improving access to products and services;
- support of local and minority businesses;
- built environment improvements;
- increased employment and training;
- the attraction of additional investment to the community.
The Underserved Markets project was launched by the Office of the Deputy Prime Minister and Business in the Community in late 2002 to work with a group of national retailers to assess how best to promote greater retail investment in the UK’s most deprived communities.

Pilot Objective: To test a model to promote private sector investment within the 88 most deprived local authorities in the UK.
OUR APPROACH
To Researching 12 Priority Areas

Data Analysis  Retailer Interviews  Reach-out to Local Authorities
THE RESEARCH PURPOSE

To create a body of research that:

• **Focuses on the commercial market opportunities**

• **Recognises that retailers are already sophisticated in their research**

• **Addresses the barriers to converting market opportunities into viable business investment opportunities**
THE 88 MOST DEPRIVED AUTHORITIES IN THE UK

Source: Government Data
METHODOLOGY
Prioritising 12 authorities from amongst the 88 Most Deprived Areas

- Retail Provision/Supply
- Size
- Existing Demand
- Retail Expenditure
- Projected Retail Growth
  - Total and ‘Multiples’
  - Retail Leakage
- Areas of Deprivation
- Demographic Mosaics
- Demographic contract
- Attractiveness of centres
- Additional Investments
- Local Factors

Cluster analysis

Retailer interest
Geographic balance

Recommended Shortlist for Deeper Research

Source: Team Analysis
OUR APPROACH

Data Analysis
Retailer Interviews
Reach-out to Local Authorities
RETAILERS/DEVELOPERS INTERVIEWED

Sainsbury's  
MARKS & SPENCER  
TESCO  
B&Q  
Boots  
McDonald's  
Donaldsons  
LandSecurities  
John Lewis Partnership  
Cheadle plc  
Hammerson  
CSC  
WHSmith
INVESTMENT DECISIONS ARE DRIVEN BY THE ECONOMIC FUNDAMENTALS.....

**Demand**
- Future size of the shopper catchment
- Demand from target customer group

**Supply**
- Location of existing own stores
- Degree of competition

Source: Retailer and Developer interviews
...AND ADDRESSING BARRIERS TO TRANSLATING MARKET POTENTIAL INTO REALITY

<table>
<thead>
<tr>
<th>Ability to implement required business model (customer and format offer)</th>
<th>Ability to achieve required operating performance</th>
<th>Relative to other opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor Infrastructure (Lack of sites, accessibility, parking)</td>
<td>Social factors impacting ongoing performance (Crime, available employees etc)</td>
<td>Attractiveness vs other investment opportunities</td>
</tr>
<tr>
<td>Planning and Policy Challenges</td>
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<td></td>
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</tbody>
</table>

Source: Retailer and Developer Interviews
OUR APPROACH

Data Analysis  Retailer Interviews  Reach-out to Local Authorities
LESSONS FOR CSR
LESSONS FOR CSR

ROLE OF PUBLIC POLICY

• Evolution of regulatory to Incentive-based policies
  - USM: Community Reinvestment Act/Tax Incentives
  - CSR: Mandatory Reporting/Transparency
LESSONS FOR CSR

LANGUAGE

• “Going to business vs. making them come to us”
  - USM: Business Vocabulary
  - CSR: Lingo
MAINSTREAMING CHANGE

• Engaging the private sector
  - USM: Commercial Opportunity
  - CSR: Business Case