

Understanding US Location Standard Scores

I. WHAT IS A LOCATION?

Dun & Bradstreet defines a location by creating a geo-footprint around a particular location-of-interest. A location-of-interest can be either an address associated with a D-U-N-S or a Latitude/Longitude coordinate provided. These geo-footprints will vary in size, based on the geographic make-up (rural or metro) and density of neighboring businesses, within a specific area. Once a location has been created, Dun & Bradstreet leverages its available B2B information to create derived attributes and two standard scores, Location Viability Score (LVS) and Location Growth Score (LGS).

II. WHAT IS THE LOCATION VIABILITY SCORE?

Location Viability Score is similar to D&B Viability Rating only it predicts the viability of a location (geo-foot print); where collectively, there is a higher or lower likelihood of business going-out-of-business, becoming inactive or going bankrupt, over the next 12 months. This prediction is based on an in depth location segmented analysis that looks at factors that drive areas to become non-viable.

Dun & Bradstreet has created a 1-9 Score (low to high risk scale) and <345-645+ Point Range (high to low risk scale) to assist with interpretation of this predictor. The lower the Points, the higher the likelihood of going out-of-business, becoming inactive or going bankrupt, over the next 12 months. When validated, a Score of “1” captures 1.17% of non-viable locations while a Score of 9 captures 32% of non-viable locations.

The chart below provides both scoring metrics and the percent of locations that fall in each segment in the U.S., as of December 2016:

Location Viability	Point Range	% of Locations
1	643+	22.09%
2	606-642	15.58%
3	574-605	15.24%
4	543-573	15.96%
5	506-542	15.43%
6	463-505	10.41%
7	404-462	4.47%
8	346-403	0.75%
9	<=345	0.07%

Viable Locations → (Scores 1-6)

Non-Viable → (Scores 7-9)

As of December 2016, we identified over 53% of the locations as viable and 5% non-viable.

III. WHAT IS THE LOCATION GROWTH SCORE?

In addition, to predicting the viability of a given location, Dun & Bradstreet also predicts its likelihood for growth. A complex set of factors can influence the potential growth of a location. Dun & Bradstreet leverages three key ingredients to predict growth at a given location:

1. Employment growth
2. Revenue growth
3. New Business growth.

EMPLOYMENT GROWTH of Businesses within the Location	REVENUE GROWTH of Businesses within the Location	NEW BUSINESS GROWTH within the Location
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Location Growth Score assists in predicting which locations are expected to see growth in terms of employees, sales and new businesses, over the next 12 months. Dun & Bradstreet has also created a 1-9 Score (high to low growth scale) and <125-261+ Point Range (low to high growth scale), for this predictor. A Score of “1” captures 30% of growing locations and a Score of “9” captured less than 3% of growing locations. The chart below provides both scoring metrics and the percent of locations that fall in each segment in the U.S., as of December 2016:

	Location Growth	Point Range	% of Locations
Growing Locations →	1	261+	2.83%
	2	241-260	3.31%
	3	226-240	4.28%
	4	201-225	14.36%
	5	176-200	23.65%
	6	151-175	27.38%
	7	136-150	13.61%
	8	126-135	5.87%
	9	<=125	4.70%
Non-Growing →			

IV. WHAT IS THE RELATIONSHIP BETWEEN THESE TWO SCORES?

These two scores were created in such a way that a location will be given scores based on a point system. The relationship between points and likelihood of an event are as follows:

1. Location Viability Points – As the “points” get higher, it’s more likely the location is predicted to be viable.
2. Location Growth Points – As the “points” get higher, the more likely the location is predicted to grow.

Using the 1-9 Score, this bi-variate distribution identifies the percent of locations within each category.

		Location Growth				
		Higher Likelihood of Growth	Lower Likelihood of Growth			
Location Viability	Score Range	1 to 3	4 to 6	7 to 9	Total	
	Lower Likelihood of businesses going OB, Bankrupt or Inactive	1 to 3	7.72%	36.99%	8.21%	52.92%
		4 to 6	2.68%	25.42%	13.70%	41.80%
	Higher Likelihood of businesses going OB, Bankrupt or Inactive	7 to 9	0.02%	2.98%	2.28%	5.28%
Total		10.42%	65.39%	24.19%	100.00%	

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To further understand the relationship between these two scores, three (3) equally-sized groups using the “points” for each was created. The cross-tabulation below identifies what percent of locations fall in which category, as of December 2016.

		Location Growth				
		Lower Likelihood of Growth	Higher Likelihood of Growth			
Location Viability	Point Range	<=158	159 to 190	191+	Total	
	Higher Likelihood of more businesses going OB, Bankrupt or Inactive	<= 546	15.99%	11.14%	6.00%	33.13%
		547 to 615	10.41%	12.80%	10.51%	33.72%
	Lower Likelihood of more businesses going OB, Bankrupt or Inactive	616+	6.54%	9.71%	16.90%	33.15%
Total		32.95%	33.64%	33.41%	100.00%	

V. HOW IS LOCATION VIABILITY AND GROWTH SCORE DELIVERED?

Location Viability and Location Growth are delivered through a batch append process. Customer Input Data required for Location Scores includes Company Name, Address, or D-U-N-S Number. Dun & Bradstreet will map each input record to a location and process its site to produce the relevant measures. The following will be returned to the customer on each input record. Quarterly archive periods available beginning Dec 2010 and going forward. To serve the need for deeper internal analysis, a layout of relative performance attributes can be returned with the Scores and Points.

ATTRIBUTE	DESCRIPTION
LOCATION VIABILITY SCORE	A score of 1-9 measuring how likely a location is predicted to experience a high percent of businesses going out-of-business, inactive or bankrupt over the next 12 months. 9 being more likely.
LOCATION VIABILITY POINTS	Measures how likely a location is predicted to experience a higher percent of businesses going out-of-business, inactive or bankrupt over the next 12 months. The less points, the more likely.
LOCATION GROWTH SCORE	A score of 1-9 measuring how likely a location is predicted to grow in terms of employees, sales & new business. 1 being more likely to grow.
LOCATION GROWTH POINTS	Measures how likely a location is going to grow in terms of employees, sales & new businesses. The more points, the more likely to grow.
APPEND YEAR	Archive Year
APPEND MONTH	Archive Month
GEO ACCURACY	Accuracy of geocoding used for creating attributes.