



# SHOPKO

*my life. my style. my store.™*

## TAKING A CLOSER LOOK

MKT 6337: Group 9

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# AGENDA

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TEST AND LEARN PLAN

# Business Objective

ShopKo's customer base continues to do business but there's potential for more!

**HOW YOU MIGHT ASK?**

Your positive image, reputation for quality encourages customers to shop but there's more insight to your customers that we've uncovered.

Our goal is to present strategies and develop several routes to increase revenue for ShopKo.

# Executive Summary

Data from 5295 records of consumer behavior  
41 product categories

4 customer segments determined by product share

Elasticity modeling for product categories

Marketing promotions and bundling suggestions outlined for each segment

Market communication evaluated

Each segment has an opportunity for growth

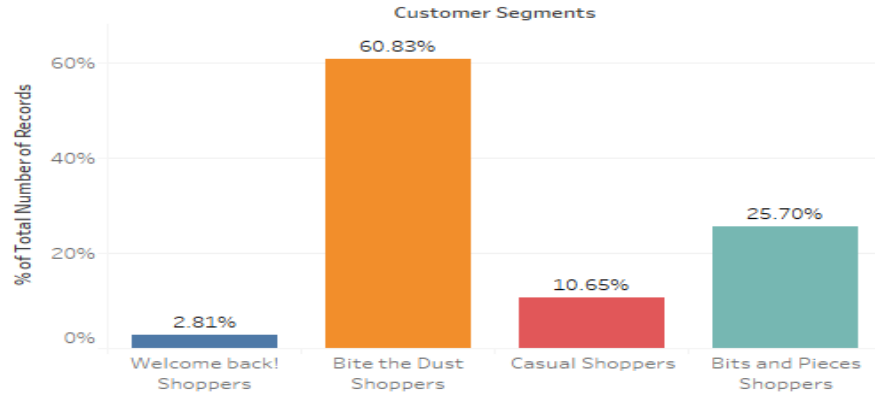
Identified potential revenue growth of 19.68%

# CUSTOMER SEGMENTATION

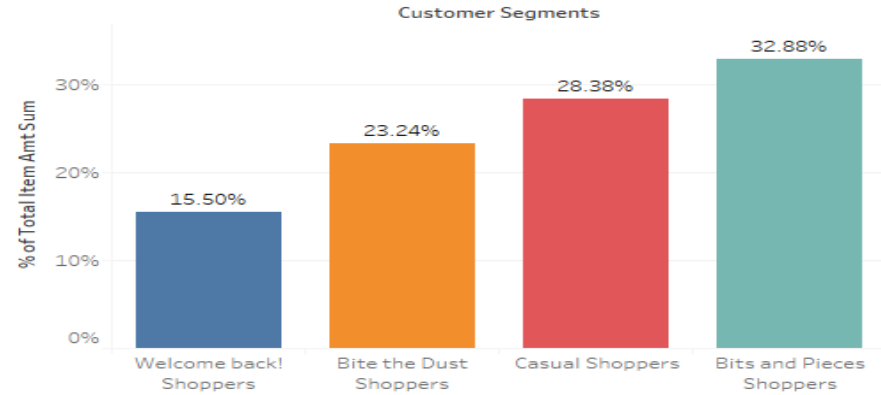
WELCOME BACK! SHOPPERS	BITE THE DUST SHOPPERS	CASUAL SHOPPERS	BITS OR PIECES SHOPPERS
<ul style="list-style-type: none"><li>• HIGHLY FREQUENT SHOPPERS</li><li>• LEAST ENGAGEMENT OF EMAILS</li><li>• LOYAL GROUP</li><li>• BUYS FROM ALL ACROSS PRODUCT CATEGORIES AND OF HIGH VOLUME</li><li>• STAYS MOST ACTIVE WITHIN TENURE MONTHS</li></ul>	<ul style="list-style-type: none"><li>• SELDOM SHOPPERS</li><li>• HIGHEST ENGAGEMENT OF EMAILS</li><li>• LESS EMAILED SENT</li><li>• SELECTIVE SHOPPERS</li><li>• LEAST ACTIVE WITHIN TENURE MONTHS AND LEAST LOYAL</li></ul>	<ul style="list-style-type: none"><li>• REGULAR SHOPPERS</li><li>• MOST EMAILED SENT</li><li>• MORE LIKELY TO OPEN EMAILS</li><li>• LOYAL GROUP</li><li>• MID-RANGE OF PRODUCT CATEGORY CHOICE</li></ul>	<ul style="list-style-type: none"><li>• IRREGULAR SHOPPERS</li><li>• INTEREST IN EMAIL</li><li>• SWAYS TO MORE SELECTIVE ON PRODUCT CATEGORIES</li></ul>

# SEGMENT DETAILS

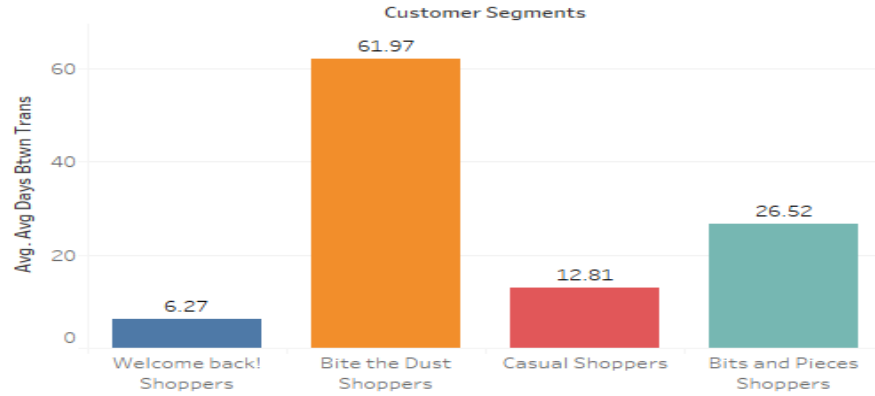
## Cluster Size



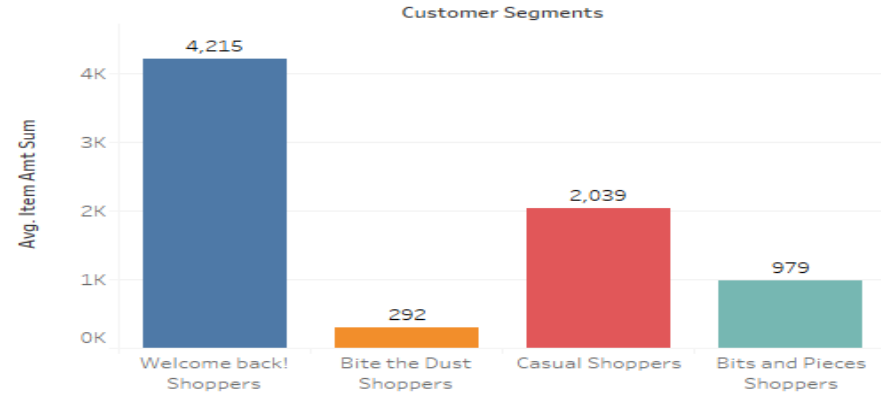
## Revenue Contribution



## Buying Frequency

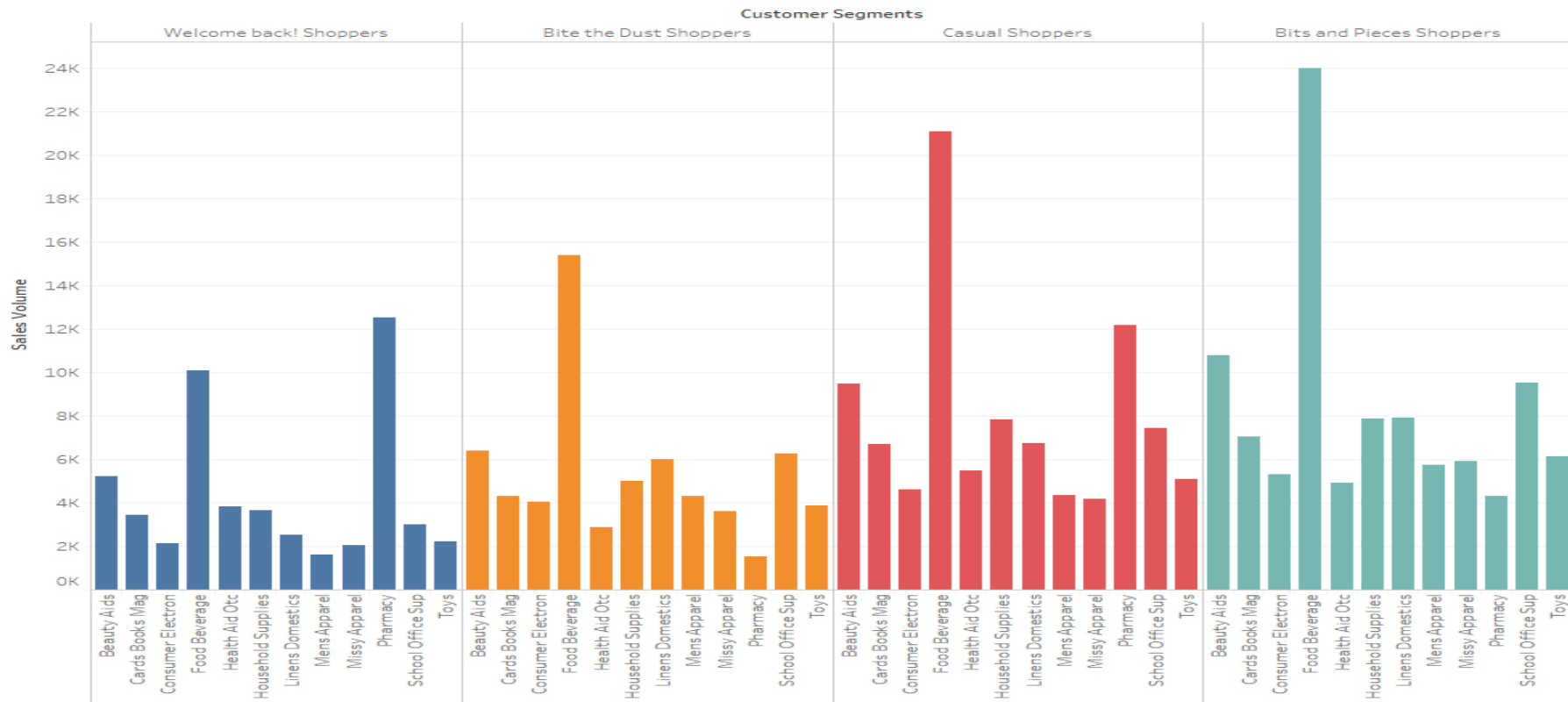


## Avg Amt Spent



# SALE VOLUME CONTRIBUTION

## Top Product Categories

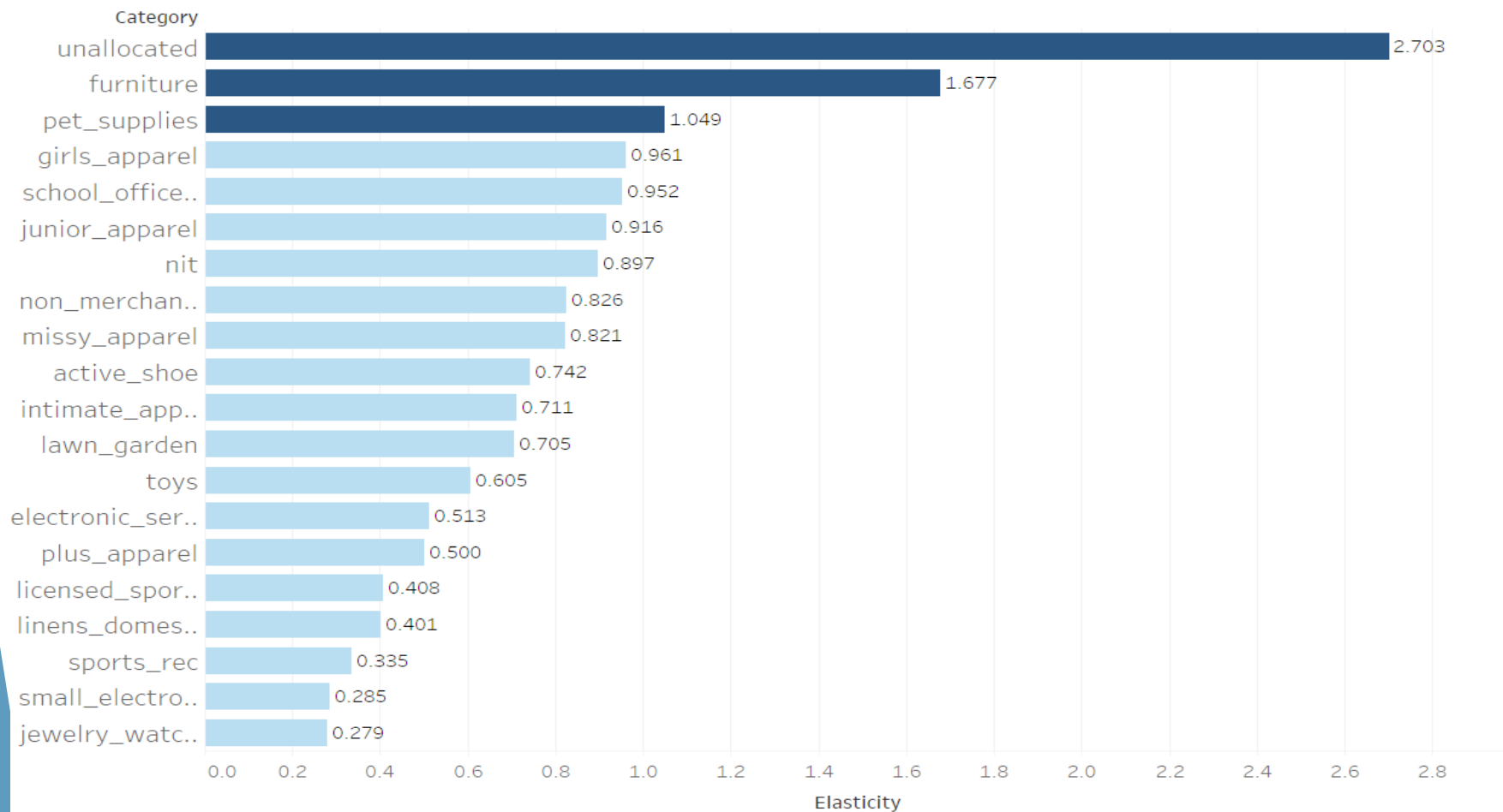


# ELASTICITY ANALYSIS

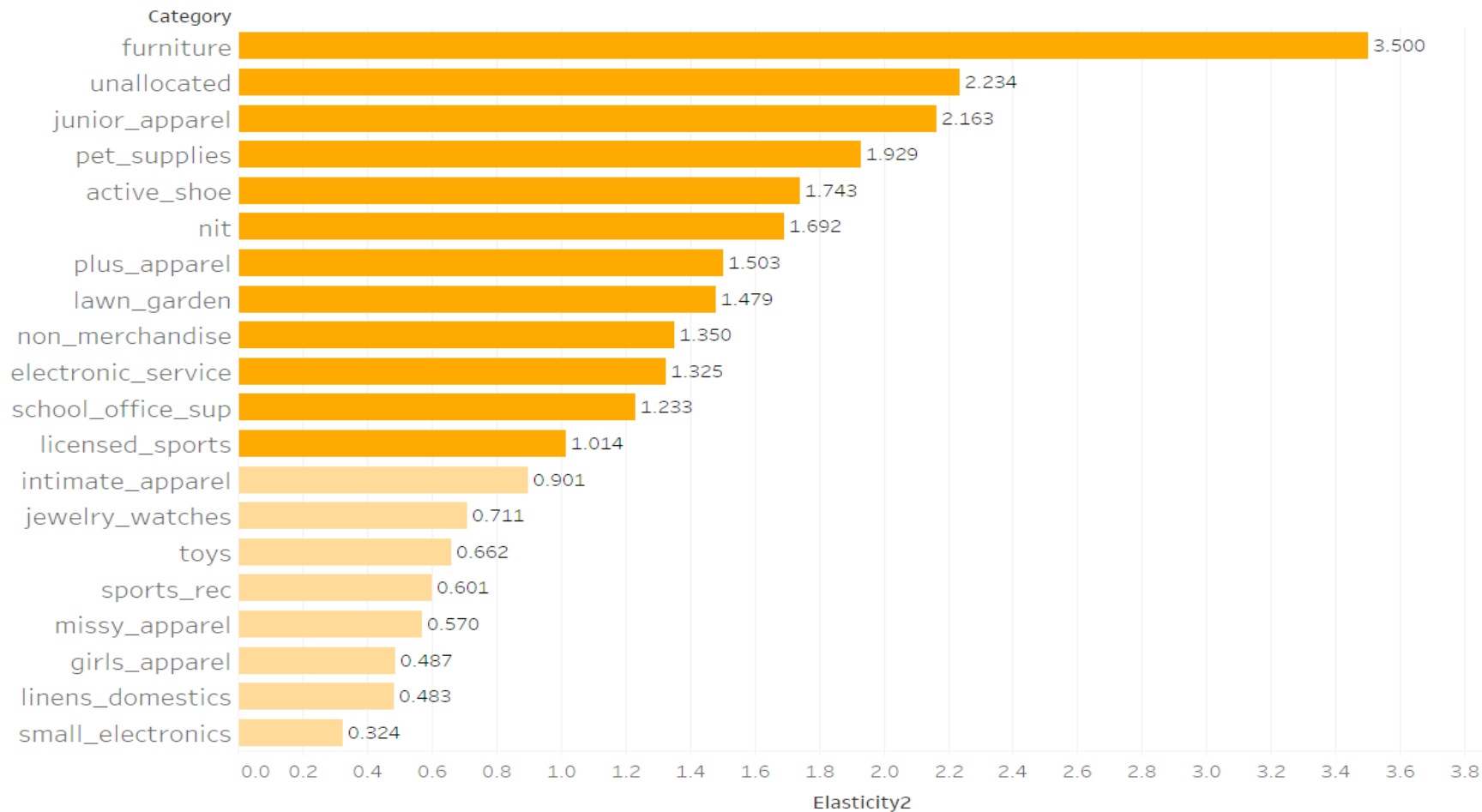
WELCOME BACK! SHOPPERS	BITE THE DUST SHOPPERS	CASUAL SHOPPERS	BITS OR PIECES SHOPPERS
<ul style="list-style-type: none"><li>•UNALLOCATED</li><li>•FURNITURE</li><li>•PET SUPPLIES</li></ul>	<ul style="list-style-type: none"><li>•FURNITURE</li><li>•UNALLOCATED</li><li>•JUNIOR APPAREL</li><li>•PET SUPPLIES</li><li>•ACTIVE SHOES</li><li>•NIT</li><li>•PLUS APPAREL</li><li>•LAWN GARDEN</li><li>•NON MERCHANDISE</li><li>•ELECTRONIC SERVICE</li><li>•SCHOOL OFFICE SUPPLIES</li><li>•LICENSED SPORTS</li></ul>	<ul style="list-style-type: none"><li>•LICENSED SPORTS</li><li>•PET SUPPLIES</li><li>•FURNITURE</li></ul>	<ul style="list-style-type: none"><li>•FURNITURE</li><li>•UNALLOCATED</li><li>•LICENSED SPORTS</li><li>•PLUS APPAREL</li></ul>



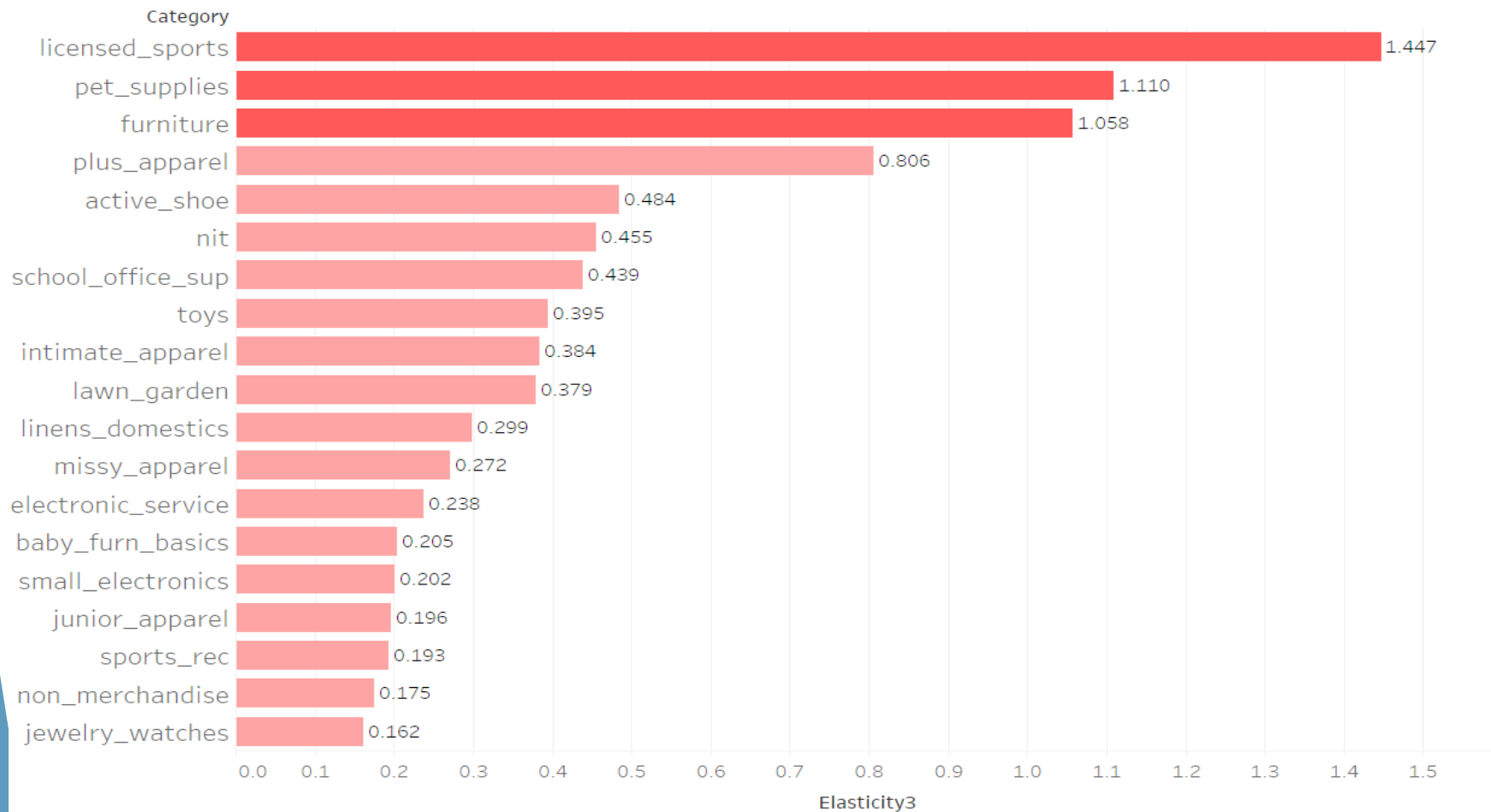
# Welcome Back! Shoppers



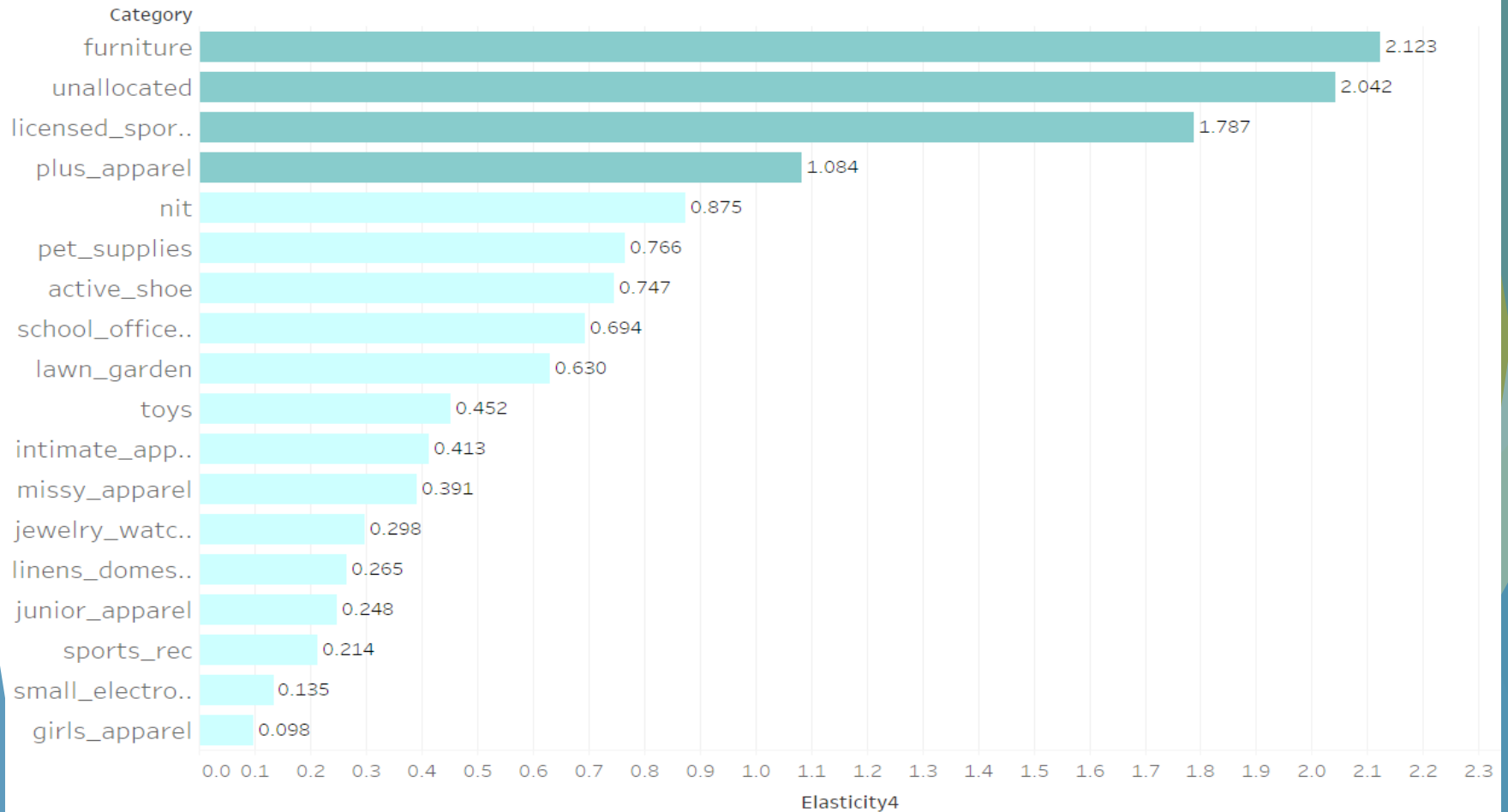
# Bite the Dust! Shoppers



# Casual Shoppers



# Bits and Pieces Shoppers



# MARKET BASKET ANALYSIS

Product bundling for top revenue driving categories for each customer segment.

Odds ratio represents the odds of the product category being bought if a purchase is made from “Bundle Category”. Hence, higher odds of purchase is better bundling option.

WELCOME BACK! SHOPPERS			
Product Category	Bundle Category	Estimates	Odds of Purchase
pharmacy	womens_accesso	4.9413	139.95
missy_apparel	pet_supplies	2.6308	13.88
	junior_apparel	3.8494	46.96
	lawn_garden	3.3386	28.18
	consumer_elect	4.5401	93.70
	furniture	3.0182	20.45

CASUAL SHOPPERS			
Product Category	Bundle Category	Estimates	Odds of Purchase
pharmacy	baby_personal_	1.4314	4.18
	health_aid_otc	1.4411	4.23
	food_beverage	2.9779	19.65
consumer_electron	cards_books_ma	1.7847	5.96
	sports_rec	1.301	3.67
	household_supp	1.3295	3.78
	optical	1.3426	3.83
	non_merchandise	2.3702	10.70
	electronic_ser	1.5769	4.84
linens_domestics	jewelry_watche	1.0206	2.77
	food_beverage	2.0392	7.68
	home_improveme	0.842	2.32
	home_decor	0.854	2.35
missy_apparel	junior_apparel	1.3033	268%
	intimate_appar	0.9319	154%
	mens_apparel	0.6737	96%
	jewelry_watche	0.5612	75%
	cards_books_ma	0.8076	124%

BITE THE DUST SHOPPERS			
Product Category	Bundle Category	Estimates	Odds of Purchase
consumer_electron	electronic_ser	0.7822	2.19
linens_domestics	home_decor	0.4671	1.60
	kitchen_tablet	0.3836	1.47
	home_organizat	0.3732	1.45
	unallocated	0.6953	2.00
	small_electron	0.2132	1.24
mens_apparel	active_shoe	0.4951	1.64
missy_apparel	intimate_appar	0.3766	1.46
	junior_apparel	1.0843	2.96
	plus_apparel	0.2335	1.26

BITS OR PIECES SHOPPERS			
Product Category	Bundle Category	Estimates	Odds of Purchase
missy_apparel	intimate_appar	0.6485	1.91
	junior_apparel	1.0568	2.88
	womens_accesso	0.388	1.47
	pet_supplies	0.2995	1.35
consumer_electron	electronic_ser	0.9818	2.67
	toys	0.4059	1.50
	non_merchandise	0.8469	2.33
	sports_rec	0.3487	1.42
linens_domestics	home_organizat	0.5182	1.68
	furniture	0.7743	2.17
	home_decor	0.3365	1.40

# MARCOM ANALYSIS

Cluster	Coeff(Email)	# Emails sent(avg)	# customers	Avg Reve	Elasticity	Avg Emails sent	Total Rev	Emails to be ser	New Rev	Change% (Email)	Change% (Rev)
1	2.53447	77	149	4215	0.04630	77	\$ 628,085.00	150.00	\$ 655,654.62	95%	4.3895%
2	0.37463	65	3221	292	0.08339	65	\$ 941,795.00	114.44	\$ 1,001,527.81	76%	6.3424%
3	0.98252	97	564	2039	0.04674	97	\$ 1,150,074.00	150.00	\$ 1,179,445.48	55%	2.5539%
4	0.22235	82	1361	979	0.01862	82	\$ 1,332,353.00	82.00	\$ 1,332,353.00	0%	0.0000%

## SUGGESTED MARKETING ACTIONS/STRATEGIES

Provide discount on elastic products and increase price on inelastic products based elasticity values for each segment

Increase average number of email sent

Based on Market basket analysis

- Bundle products in promotional offers such as coupons, weekly ads, etc
- Limit price discount to one product in a promotional bundle
- Place products with high “odds of purchase” in close physical proximity

# SEGMENT SPECIFIC STRATEGIES

	Current Revenue	New Revenue	Discount (10%)	Email Increase
WELCOME BACK! SHOPPERS	\$ 655,832.66	\$ 709,093.93	UNALLOCATED FURNITURE PET SUPPLIES	95%
BITE THE DUST SHOPPERS	\$ 1,060,965.28	\$ 1,123,211.76	FURNITURE UNALLOCATED JUNIOR APPAREL PET SUPPLIES ACTIVE SHOES NIT PLUS APPAREL LAWN GARDEN NON MERCHANDISE ELECTRONIC SERVICE SCHOOL OFFICE SUPPLIES LICENSED SPORTS	76%
CASUAL SHOPPERS	\$ 1,264,457.72	\$ 1,361,562.94	LICENSED SPORTS PET SUPPLIES FURNITURE	55%
BITS OR PIECES SHOPPERS	\$ 1,462,596.79	\$ 1,562,782.89	FURNITURE UNALLOCATED LICENSED SPORTS PLUS APPAREL	0%



# TEST AND LEARN PLAN

Increase price of inelastic products by 10%

Provide promotional discounts on elastic products by 10%

Increase average number of emails sent by 50%

Bundle products based on high “Odds of Purchase” from Market Basket Analysis

Potential increase in revenue \$797K i.e 19.68%

Potential increase in revenue without price increase \$505K i.e. 12.46%

Access to competitor pricing and profit margin can help optimize the test and learn for product specific promotional strategy for each segment

THANK YOU FOR SHOPPING WITH SHOPKO AND WE HOPE YOU HAVE  
WONDERFUL DAY!

