



DATA-DRIVEN MARKETING FOR RETAIL

Marketing Analytics

OUR METHODOLOGICAL APPROACH

IDENTIFICATION

Descriptive analysis

- Sales
- Stores
- Products
- Customers

EXPLORATION AND RECOMMENDATION

Practical recommendations

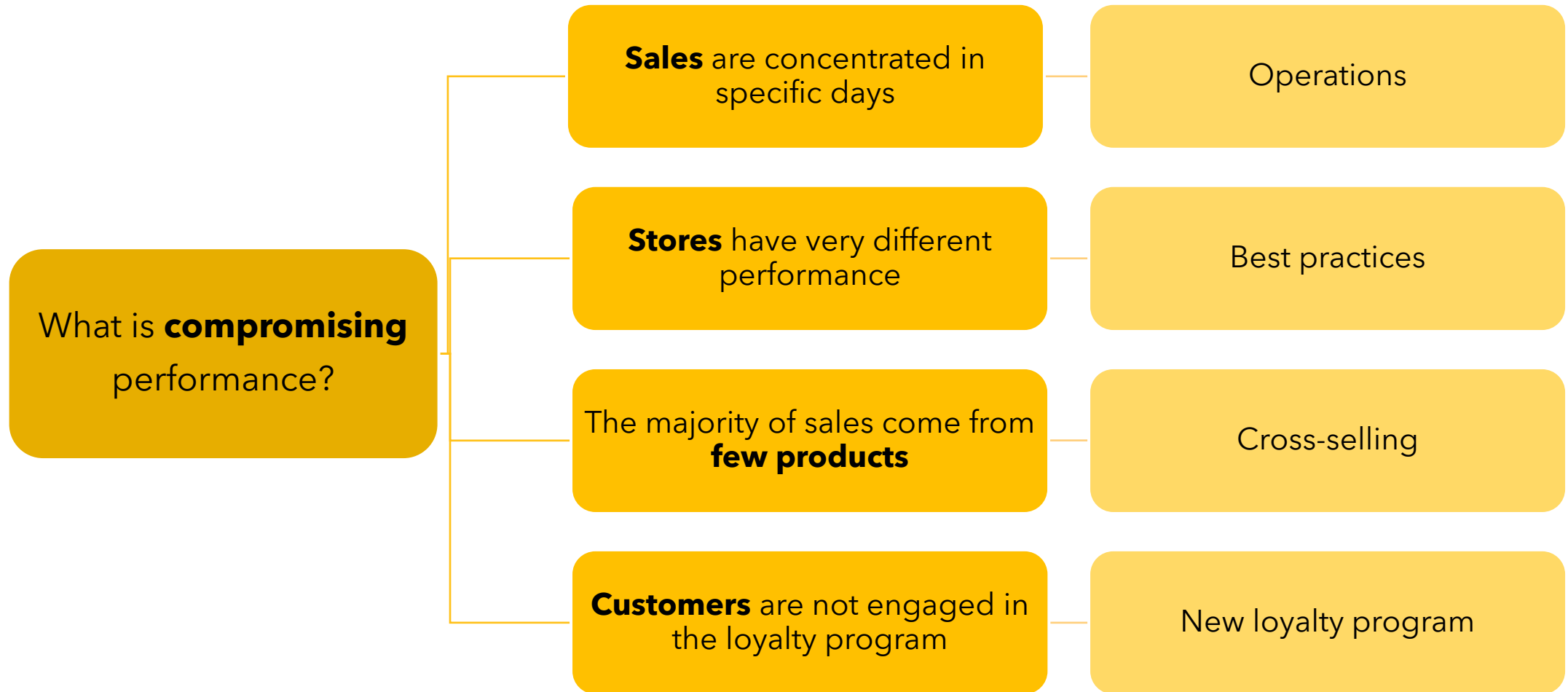
- Operation optimization
- Top stores best practices
- Cross-selling
- New loyalty program

IMPLICATION

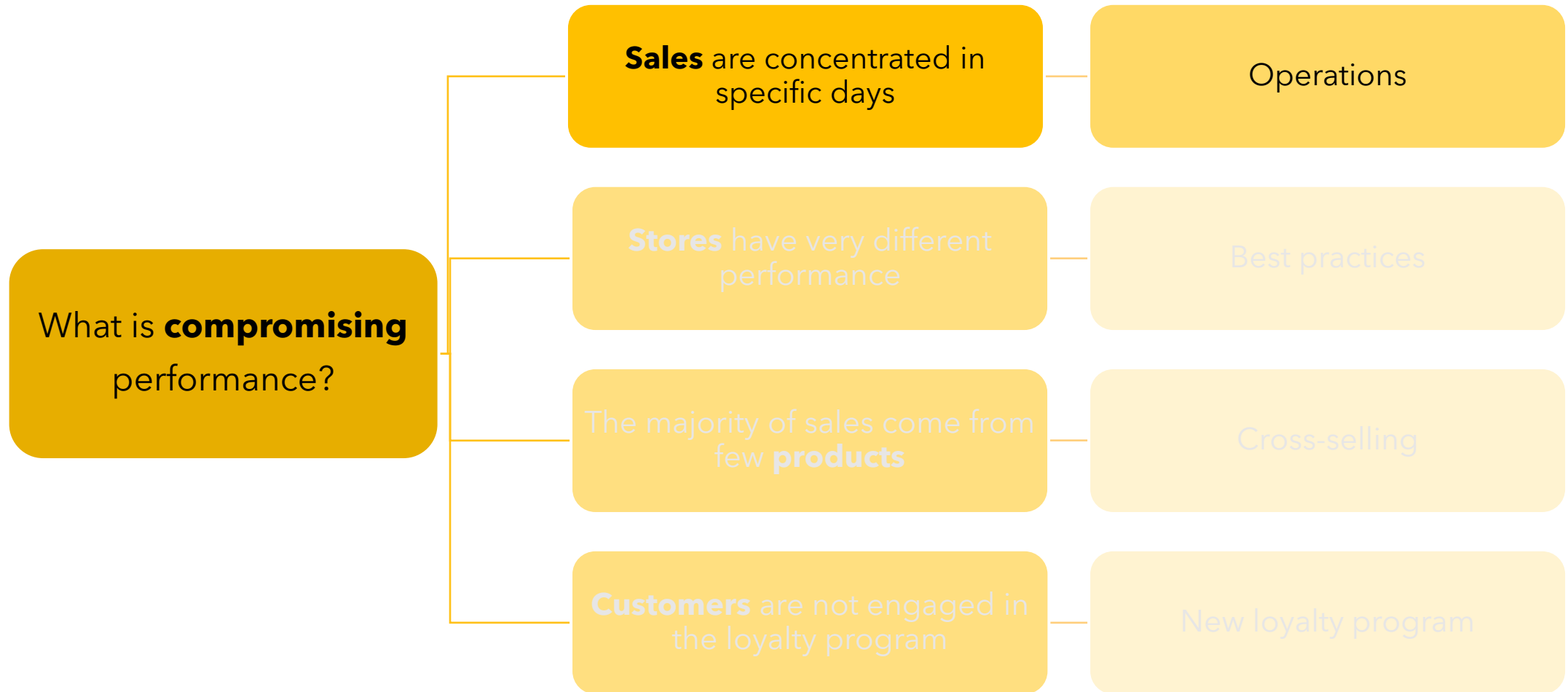
Implications

- Economic potential
- Advantages and challenges
- Rollout and next steps

GOAL STATEMENT AND BREAKDOWN



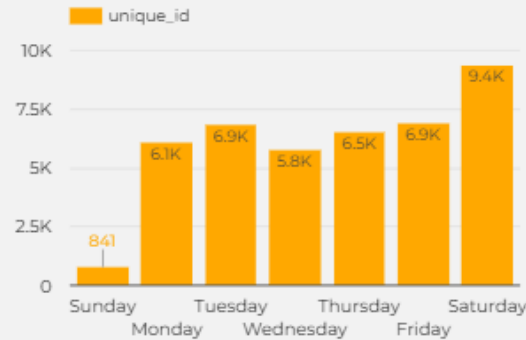
GOAL STATEMENT AND BREAKDOWN



ASSESS SUNDAY OPENINGS AND DISTRIBUTE FLOWS

ANALYSIS

- Significantly **lower total sales and number of transactions on Sundays** for the period of analysis

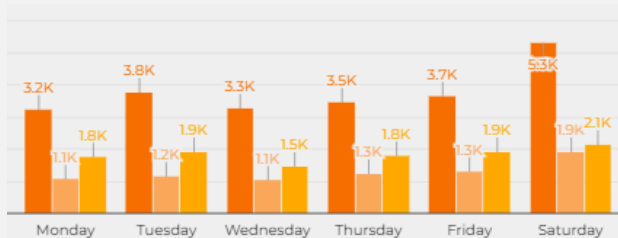


RECOMMENDATION

- Closing on Sundays**, otherwise the **optimal working hours** are from 9:00 to 12:00.

ANALYSIS

- High flow in the morning and in the evening**
- Saturday** as the day **with the highest flow**



RECOMMENDATION

- The **employees effort** should be **managed according to the peaks**.
- Incentivizing customers to come during the day's lowest peaks** to redistribute workload and achieve higher efficiency.

GOAL STATEMENT AND BREAKDOWN



LEARN FROM THE BEST STORES PRACTICES

Store 624 (400 m²)
Store 519 (600 m²)

Superior performances
regarding the total sales and average ticket

Location-related factors:

- the store **neighbourhood characteristics**,
- the **proximity to public transport or main streets** of the city.

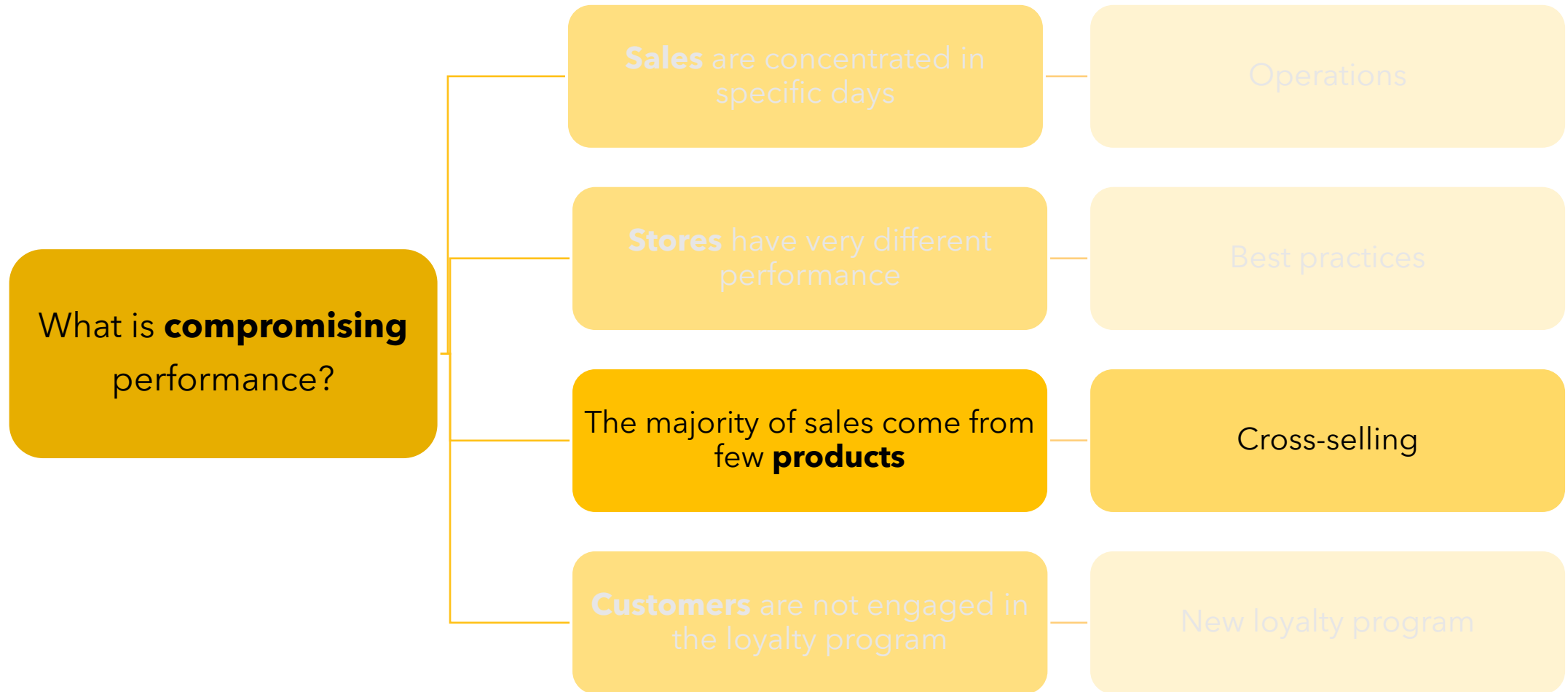
Different retail practices:

- **store layout**,
- **product distribution**
- **product positioning** and availability on the shelves,
- **customer service** and attendance.

BEST PRACTICE STANDARD
to be applied and followed in other stores of the similar size or location.



GOAL STATEMENT AND BREAKDOWN

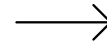


MBA INSIGHTS ARE LIMITED TO SPECIFIC TARGETS

THE POWER OF THE RULES

Left-hand side	=> Right-hand side	Support	Confidence	Lift
{House cleaning detergents, Toilet paper}	=> {Laundry soap}	0,0051	0,47	4,1
{UHT cream}	=> {Ravioli/dumplings (fresh)}	0,0068	0,20	3,8

- Rules will be **triggered by specific customer segment**.
- Based on confidence and lift, **there is evidence** that these rules are not random.



POSSIBLE MARKETING STRATEGIES



Reallocating products in-store

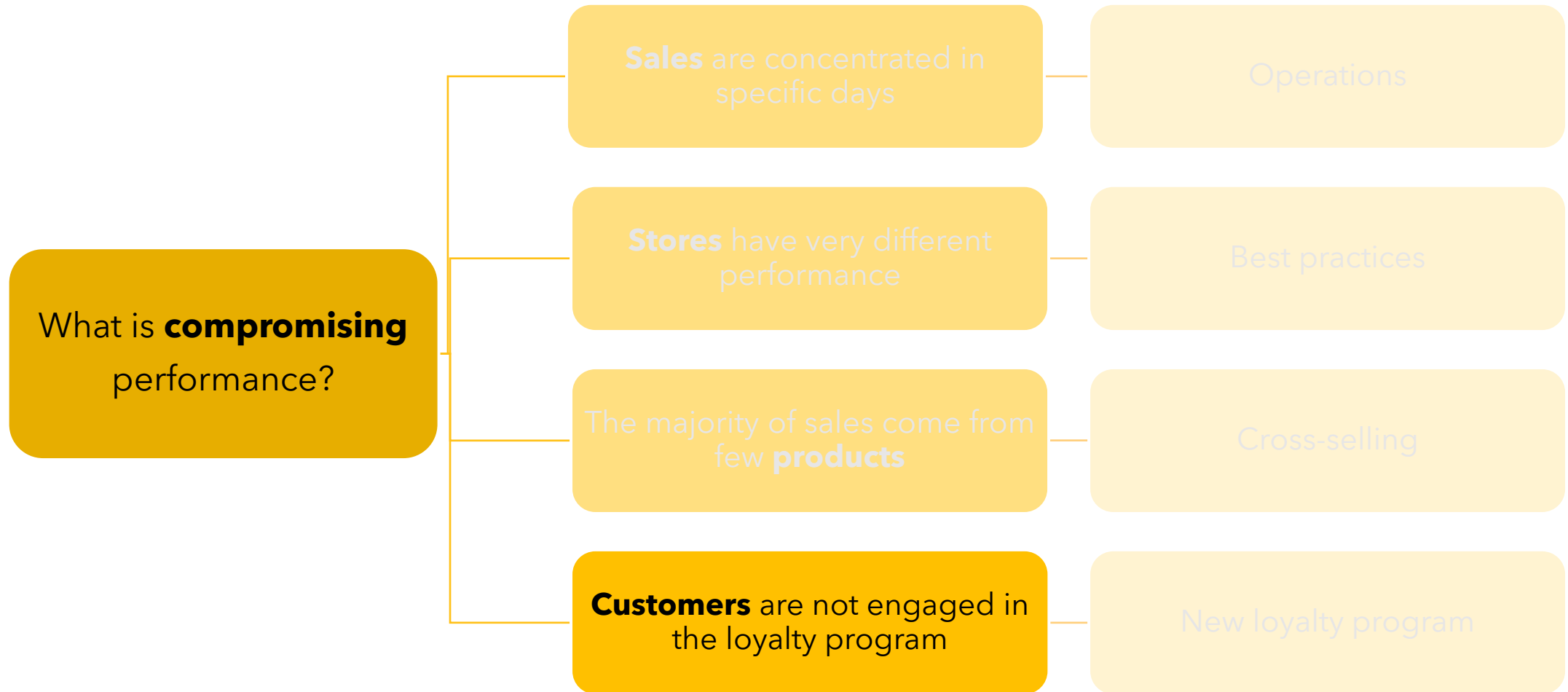


Using **visual merchandise** next to the products to trigger the rule



Leveraging on the loyalty program to recommend products based on purchase history

GOAL STATEMENT AND BREAKDOWN



CURRENT LOYALTY PROGRAM IS NOT EFFECTIVE

Cashier



35 customer IDs identified as cashiers

- Average 14x/day and **maximum 42x/day**
- Threshold defined at **2x/day**

This happens for **three reasons**:

- **Rewards** are not attractive
- **Discount** are the main benefit
- Cashiers win **rewards without purchasing**

Customer

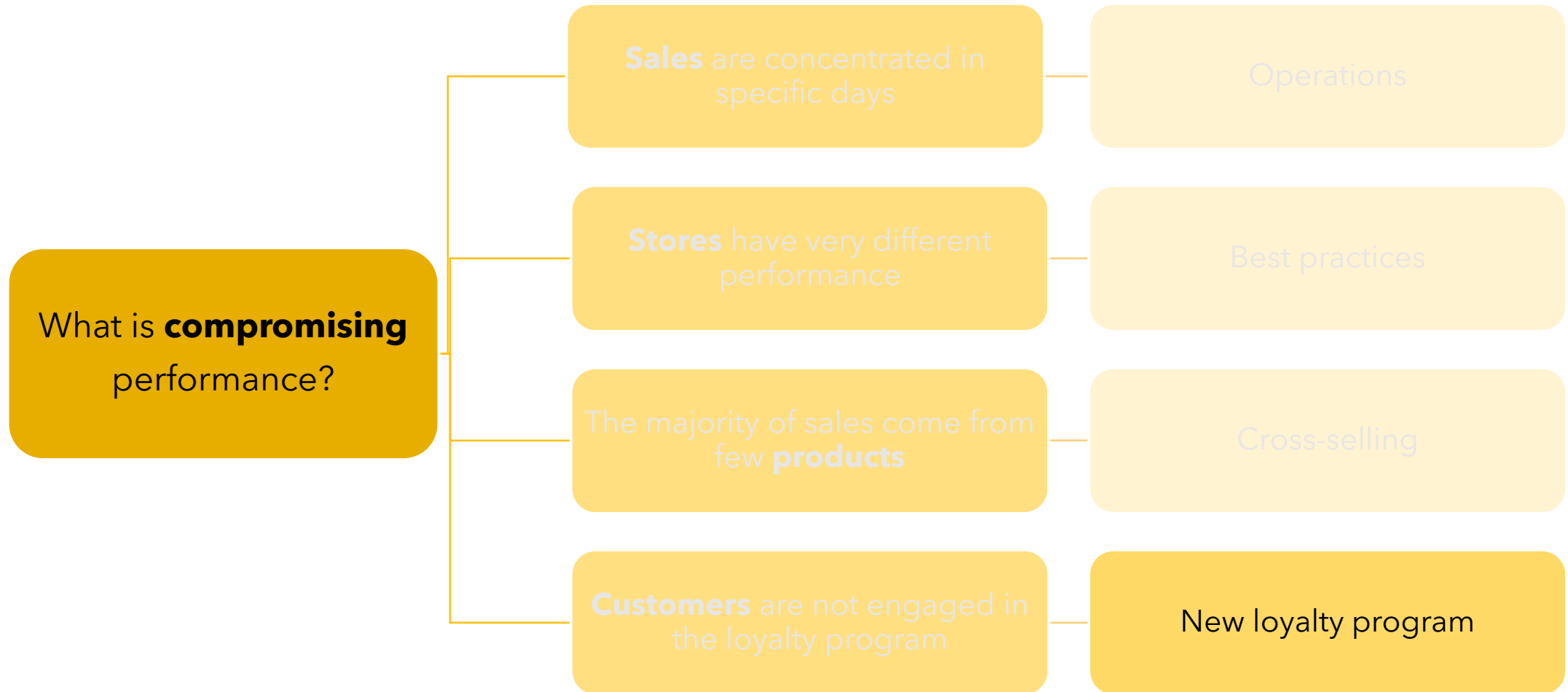


The loyalty program does **not** make the customers **more profitable**

No significant difference between registered and non-registered customer's transactions:

- Basket size
- Average ticket
- Unit price

GOAL STATEMENT AND BREAKDOWN



LAYERED, GAME-LIKE, DATA-DRIVEN LOYALTY PROGRAM

New program's layers

Customers are split into **four levels** based on loyalty

- Defined by characteristics that **emerge from data**
- Higher **level** → better **advantages and benefits**.



Coal



Bronze



Silver



Gold

Allow exploitation of customer base potential

- 1) Design **personalized actions** towards consumers to **increase** their **loyalty**
- 2) Discover, understand, and **fulfil your** needs and deficiencies and achieve its **goals**
- 3) Monitor and **influence** the evolution of **consumer patterns**
- 4) Increase customer base by **encouraging recurring customers to register** and use to the program

GAMIFICATION INCREASES CUSTOMER ENGAGEMENT

Gamification is a **renowned powerful** approach¹

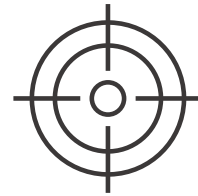
- **Incentivize certain behaviors** by designing game-like actions

Experience is **more engaging** for customers

- Customers take actions to achieve their missions

Positive **economic impact** for you

- “Moving the levers”



Incentivize behaviours

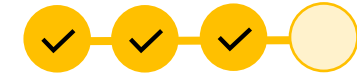


Assign levels



Offer benefits

Completed: **3/4**



Buy 3 packages of **Cookies** to unlock the next level!

Current level:



You are lacking **1500 points** to reach the silver level!

New benefit unlocked!

Access to our **special recipes newsletter!**

¹ Inside Marketing

LAYERS OF THE LOYALTY PROGRAM

Idea: Dissimilar customers should be **engaged differently**



Capture the customer habits, their **SHOPPING BEHAVIOR**.



Other dimensions besides the overall expenditure:

- ✓ Average ticket
- ✓ Frequency of purchase
- ✓ Monthly expenditure



4 LAYERS:

COAL

BRONZE

SILVER

GOLD

LAYERS OF THE LOYALTY PROGRAM

% Revenues

GOLD

SILVER

BRONZE

COAL



LAYERS OF THE LOYALTY PROGRAM

- **8** customers
- ✓ High frequency
- ✓ High avg. ticket
- ✓ High monthly expenditure

% Revenues

GOLD

SILVER

BRONZE

COAL



LAYERS OF THE LOYALTY PROGRAM

- **30** customers
- ✓ High frequency
- Medium avg. ticket
- ✓ High monthly expenditure

% Revenues

GOLD

SILVER

BRONZE

COAL



LAYERS OF THE LOYALTY PROGRAM

- ✓ **40** customers
- Low frequency
- ✓ Medium avg. ticket
- Low monthly expenditure

% Revenues

GOLD

SILVER

BRONZE

COAL

LAYERS OF THE LOYALTY PROGRAM

- ✓ **112** customers
- Very low frequency
- Medium avg. ticket
- Very low monthly expenditure

% Revenues

GOLD

SILVER

BRONZE

COAL

LOOKING JUST AT THE BEHAVIOR IS NOT ENOUGH

Idea: Dissimilar customers
.....→ should be **engaged**
differently →

Enrichen the understanding on the customers' shopping habits, by analyzing **WHAT** they buy

Capture their **SHOPPING CHARACTERISTICS**

4 GROUPS:



Food Stockers

- Packed long-lasting food
- Average for other families



Lazy Cooks

- Fridge Food
- Average for the other families



Ordinaries

- Balanced purchases for the most relevant categories



Opportunists

- High personal care
- High home care

Keeping track of everything

NEW ANALYTICAL TOOL FOR THE LOYALTY PROGRAM

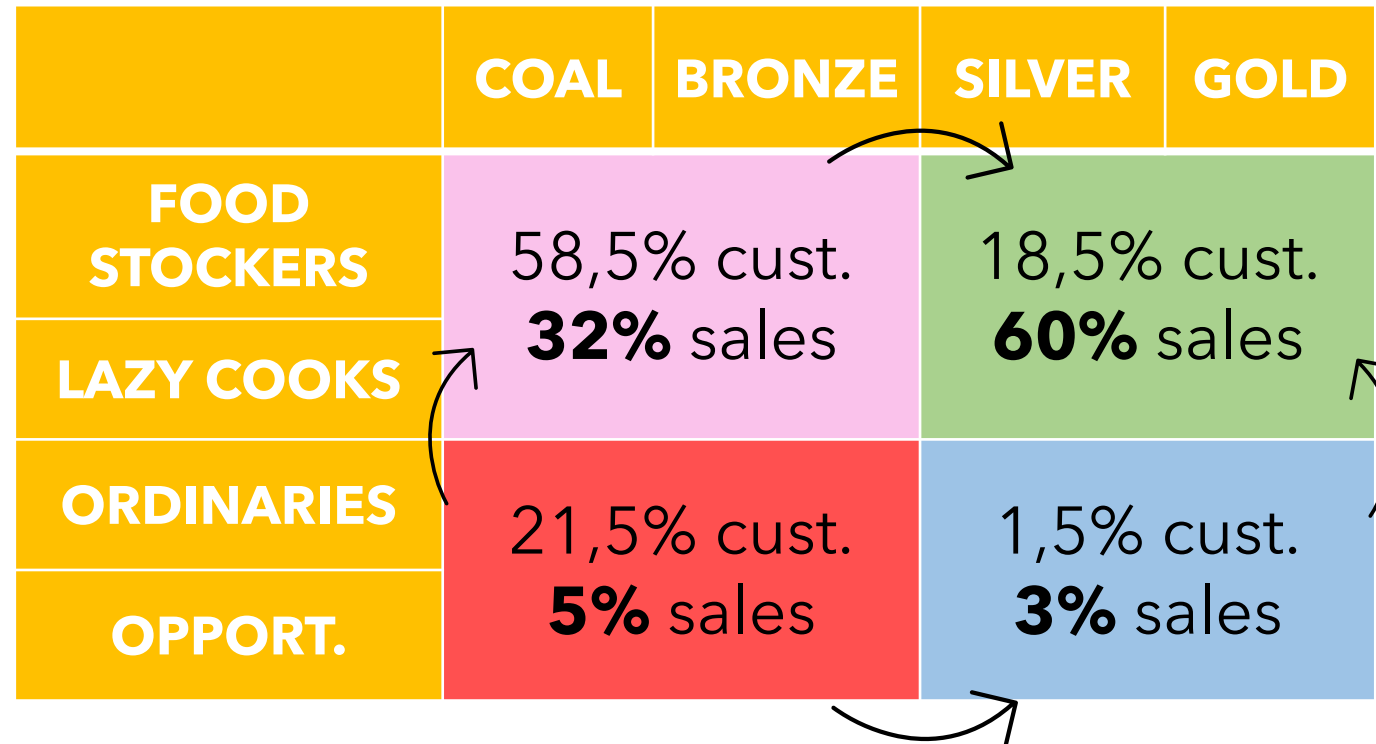


COMBINE CLUSTERS TO DESIGN TARGETED STRATEGIES

Behavior Clustering

(by total ticket, average ticket, purchase frequency)

	COAL	BRONZE	SILVER	GOLD
FOOD STOCKERS	58,5% cust. 32% sales		18,5% cust. 60% sales	
LAZY COOKS				
ORDINARIES	21,5% cust. 5% sales		1,5% cust. 3% sales	
OPPORT.				



Characteristics Clustering

(% product family purchased)

A TOOL TO MAKE BETTER DECISIONS

Marketing Expenditure

	August			
	CO	BR	SI	GO
FS	50 k€		80 k€	
LC				
OR	18 k€		4.1 k€	
OP				

September

	September			
	CO	BR	SI	GO
FS	48 k€		84 k€	
LC				
OR	15 k€		3.7 k€	
OP				

October

	October			
	CO	BR	SI	GO
FS	49 k€		82.6 k€	
LC				
OR	17 k€		3.6 k€	
OP				

This tool allows to make segmented analysis, as for example:

- **Evolution** of **strategic KPIs** over time
- **Assessment of KPIs** for deeper investigations

Costs of Promotions

	CO	BR	SI	GO
FS	25 k€		62 k€	
LC				
OR	12 k€		2.8 k€	
OP				

Δ Revenues per customer

	CO	BR	SI	GO
FS	+0.6 €		+3.2 €	
LC				
OR	-0.4 €		+0.7 €	
OP				

Economical & Operational Implications



LOYALTY PROGRAM CAN BOOST REVENUE SIGNIFICANTLY

Estimated Revenue from the Loyalty program

- 1065 transactions for the registered customers → 5,6 transactions / customers
- From 42,429 transactions → 7,386 nonregistered
- 30 % enter the loyalty program → 2216 new customers
- 20% conversion rate from marketing initiatives

Transition	Monthly Revenue Generated
Red → Blue	Revenue = + 305% Absolute terms = 4.707,23 €
Red → Pink	Revenue = + 47% Absolute terms = 716,57 €
Pink → Green	Revenue = + 338% Absolute terms = 20.767,69 €
Blue → Green	Revenue = + 58% Absolute terms = 254,09 €

MAIN STRENGTHS AND WEAKNESSES OF THE PROGRAM

STRENGTHS

- Gamification is a way of using data that **might appeal to the customer of the future**, i.e., Gen Z and Millennials
- A **wider and more loyal customer base** can be achieved
- The **system is customizable**
- A **data driven, more personalized** loyalty program

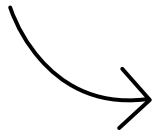
WEAKNESSES

- **Communication** can be **challenging**
- **Frequent policies update** is required
- It is **not clear how to encourage each customer to move from one level to another one**
- **More data** is needed

NEXT STEPS

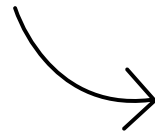
“Tried-and-true” roll-out strategy

The method has worked very well when deploying new loyalty programs¹



Gaining share from existing customers

- ↑ Recency
- ↑ Frequency
- ↑ Average ticket



Market further out

Gaining new customers and gaining share from competitors

¹ «Retail Analytics: The Secret Weapon», Emmet Cox (2012), Wiley

Breakfast

Tea

Breakfast
Skin & Sun Care
Coffee & Tea
Biscuits

4

Cereal

PRICES
DROPPED

PRICES
DROPPED

Was \$4.29
\$3.50

Coffee

\$4

\$11

\$14

THANK YOU FOR YOUR
ATTENTION!