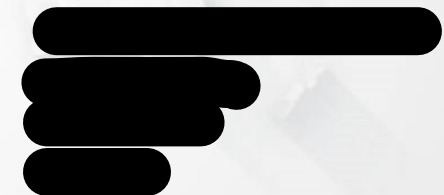




Retail Industry Marketing Strategies



Vikrant Patil

Agenda



Executive Summary

- **Shopko is a chain of discount store...**

- with three sub-brands
 - operates in 13 states with 357 stores
 - employs 18000+ employees
 - generates annual revenue of USD 3.25 billion

- **BUSINESS OBJECTIVE**

- To maximize revenue by providing optimal pricing suggestions through:

- (1) Customer Segmentation (2) Elasticity Modelling
 - (3) Market Basket Analysis (4) Marcomm Analysis

- **FINANCIAL IMPACT**

- Our analysis puts customers into 6 different segments and increases the total revenue by 26.68%



SHOPKO
my life. my style. my store.

Marketing Strategy

Segmentation

Perform segmentation
with sales data

Maximizing Revenue

Based on the analyses, we gain
insights into how revenue
could be maximized

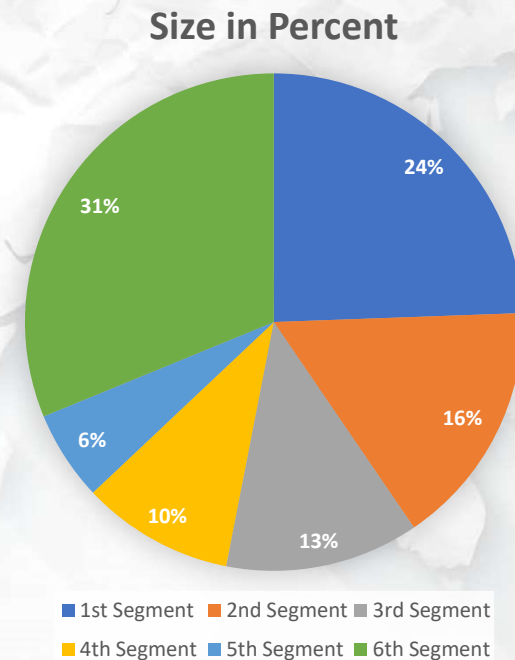
Revenue by Segments

Look into revenue contribution
of the different segments, and
examine sensitivity of the results



Segmentation Overview

- Segment 1 – The Highly Loyal
- Segment 2 – The Tech Savvies
- Segment 3 – The Fashionistas
- Segment 4 – The Foodies
- Segment 5 – The Trendsetters
- Segment 6 – The Attention seekers



Segment 1 – The Highly Loyal



Highest Revenue

- Highest revenue generating
- Highest number of transactions
- Highest number of store visits



Marketing Communication

- Received largest number of direct mails and least number of emails
- Emails - not so effective on this segment
- Direct Mails – Positive impact (increase the mail frequency)



Favourite Buys

- Highest share in
- Pharmacy
 - Optical



Price Sensitivity

- Increasing price by 10% will increase revenue by 28.87% (~\$900,000)

Segment 1 – The Highly Loyal

Market Basket Analysis

	Optical	Electronics	Mens Apparel	FoodandBev	Pharmacy	Beauty Products	Home Org	Missy Apparel	Women Access	Baby Furniture	Furniture
Optical		5	-22	-27	67	27	-30	-4	12	22	13
Electronics	6		20	25	-35	-11	-7	-2	-20	2	-10
Mens Apparel	-22	19		8	-49	-21	9	-19	26	2	9
FoodandBev	-27	25	8		0	79	26	-2	-16	8	-19
Pharmacy	66	-35	-48	0		13	3	-40	-41	10	-5
Beauty Products	27	-11	-21	79	13		70	21	42	29	-27
Home Org	13	-7	-9	26	3	70		38	-7	33	83
Missy Apparel	-4	-2	-19	-2	-40	20	38		77	30	-9
Women Access	-3	-20	26	-16	-41	43	-7	78		-4	3
Baby Furniture	22	2	2	8	9	29	33	30	-4		42
Furniture	13	-10	9	-18	-4	-27	83	-9	4	42	

Segment 2 – The Tech Savvies



Highest Per-Item Spent

- Middle class with above average income
- Third largest revenue
- Third Largest segment



Marketing Communication

- Relies heavily on direct mails
- Emails - not so effective on this segment
- Maintain the Dirmail frequency



Favourite Buys

- Highest share in
- Electronics



Price Sensitivity

- Increasing price by 10% will increase revenue by 19.72% (\$70,000)

Segment 2 – The Tech Savvies

Market Basket Analysis

	Optical	Electronics	FoodandBev	Pharmacy	Beauty Products	Home Org	Women Access	Baby Furniture	Furniture
Optical		1	23	187	-13	41	24	82	6
Electronics	2		22	10	-62	21	2	-3	37
FoodandBev	25	22		41	110	51	54	71	-31
Pharmacy	186	9	42		31	-4	-18	30	4
Beauty Products	-13	-62	109	31		50	45	16	-37
Home Org	38	20	51	-5	51		59	50	175
Women Access	24	2	55	-18	47	59		28	136
Baby Furniture	81	-4	71	31	17	51	28		-21
Furniture	146	39	-31	4	-39	177	136	-23	

Segment 3 – The Fashionistas



Second highest revenue

- Above average family income
- Joint highest number of unique items purchased



Marketing Communication

- Emails have the most effect on this segment
- Increase email frequency



Favourite Buys

- Highest share in clothing and women accessories



Price Sensitivity

- Decreasing price by 10% will increase revenue by 20.71% (\$80,000)

Segment 3 – The Fashionistas

Market Basket Analysis

	Optical	Electronics	Mens Apparel	FoodandBev	Pharmacy	Beauty Products	Home Org	Missy Apparel	Women Access	Baby Furniture	Furniture
Optical		23	-41	-14	-11	79	43	-30	105	2	-50
Electronics	22		-36	26	19	0	34	4	60	85	68
Mens Apparel	-41	-35		-13	-61	-37	-54	-79	-18	-15	-46
FoodandBev	-14	26	-13		63	134	58	10	-4	-8	8
Pharmacy	-11	16	-61	61		6	-14	-45	4	27	-37
Beauty Products	76	0	-37	133	7		15	32	52	-9	-12
Home Org	43	33	-55	57	-13	15		-26	7	28	-11
Missy Apparel	-33	3	-79	10	-46	32	-27		71	15	-27
Women Access	103	61	-18	-3	6	52	7	72		27	16
Baby Furniture	2	86	-16	-8	29	-9	29	16	27		-20
Furniture	-49	68	-47	7	-36	-12	-11	-28	15	-21	

Segment 4 – The Foodies



Below Average family income

- Second lowest unique items purchased
- Second lowest number of transactions performed



Marketing Communication

- Received most number of emails
- Least number of direct mails sent
- Emails not so effective on this segment – minimal impact on revenue. So reduce the frequency of emails



Favourite Buys

- Highest share in Food and Beverages



Price Sensitivity

- Increasing price by 10% will increase Revenue by 17% (~\$20,000)

Segment 4 – The Foodies

Market Basket Analysis

	Optical	FoodandBev	Pharmacy	Home Org	Missy Apparel	Women Access	Baby Furniture	Furniture
Optical		207	6	60	82	57	407	-100
FoodandBev	209		375	192	-18	150	145	179
Pharmacy	13	379		-46	0	-53	-13	0
Home Org	51	192	-46		102	68	53	-46
Missy Apparel	76	-18	2	97		315	82	52
Women Access	60	149	-56	65	317		-1	382
Baby Furniture	406	140	-14	50	83	-6		22
Furniture	-100	185	-3	-38	57	378	37	

Segment 5 – The Trendsetters



Highest family income

- Joint highest number of unique items purchased
- Smallest segment



Effective Direct Mail

- Direct mails result in significant increase in revenue
- Emails not so effective on this segment
- Maintain the direct mail frequency



Favourite Buys

Highest share

- Beauty products
- Second highest share in
- Consumer electronics
- Clothing



Price Sensitivity

- Increasing price by 10% will increase revenue by 18.95%

Segment 5 – The Trendsetters

Market Basket Analysis

	Optical	Electronics	Mens Apparel	FoodandBev	Pharmacy	Beauty Products	Home Org	Missy Apparel	Women Access	Baby Furniture	Furniture
Optical		92	-65	-13	6	125	20	-20	88	29	365
Electronics	78		2	8	-4	-43	11	-9	63	3	15
Mens Apparel	-61	2		-5	-24	-63	-2	-85	53	24	-66
FoodandBev	-10	8	-4		13	41	28	11	34	29	-69
Pharmacy	0	-2	-22	13		59	113	-31	2	34	-100
Beauty Products	116	-43	-63	41	59		-23	-25	23	33	-78
Home Org	12	12	0	30	117	-23		94	26	-21	-46
Missy Apparel	-16	-11	-85	12	-33	-26	86		377	126	326
Women Access	81	63	55	35	8	18	25	378		-11	-71
Baby Furniture	22	2	21	30	35	31	-22	126	-12		-100
Furniture	640	1	-64	-77	-100	-76	-46	281	-66	-100	

Segment 6 – The Attention seekers



Low Revenue

- Low revenue contribution
- Low family income
- Smallest family size



Favourite Buys

- Pharmacy
- Furniture



Marketing Communication

- Received least number of direct mails and emails

Financial Implications

Segments	Current Revenue	New Revenue	Difference (in %)
The Highly Loyal	\$3,093,430	\$3,986,503	29%
The Tech Savvies	\$346,140	\$414,399	20%
The Fashionistas	\$368,904	\$445,304	21%
The Foodies	\$71,123	\$83,214	17%
The Trendsetters	\$134,300	\$159,750	19%
The Attention seekers	\$38,588	\$44,785	16%
Total	\$4,052,485	\$5,133,955	27%

Thank you!



Appendix

Cluster	1	2	3	4	5	6
Average of HHINCOME	64,614	96,491	99,393	98,857	87,606	100,254
Average of SIZEHH	1	4	3	3	2	3
Average of email_send_num	4	105	58	20	106	103
Average of distinct_store_visit_num	0	2	1	2	1	2
Average of babyfurnbasic_share	0.24%	0.75%	0.96%	0.96%	1.01%	0.30%
Average of beautyaids_share	0.00%	3.20%	4.96%	3.12%	0.00%	11.37%
Average of consum_elec_share	0.00%	8.47%	17.12%	1.60%	0.00%	13.39%
Average of food_beverage_share	0.00%	3.72%	4.24%	3.64%	8.13%	6.68%
Average of furniture_share	0.43%	2.41%	1.48%	1.46%	0.90%	0.31%
Average of home_organiz_share	0.33%	1.36%	1.70%	1.53%	1.47%	0.79%
Average of mens_apparel_share	0.00%	4.88%	0.00%	14.67%	0.00%	13.65%
Average of kitch_table_share	0.00%	3.56%	8.29%	3.03%	0.00%	7.03%
Average of missy_apparel_share	0.00%	4.85%	0.00%	9.38%	7.47%	7.99%
Average of nit_share	0.22%	1.09%	1.00%	1.40%	1.37%	0.54%
Average of optical_share	0.57%	2.41%	1.08%	0.95%	0.67%	0.25%
Average of pharmacy_share	1.14%	8.04%	3.19%	2.36%	2.89%	0.51%
Average of toys_share	0.67%	3.20%	3.42%	2.77%	2.41%	1.57%
Average of trimatree_share	0.36%	2.30%	2.64%	2.23%	2.28%	1.55%
Average of unallocated_share	0.32%	0.03%	0.24%	0.14%	0.88%	0.33%
Average of women_access_share	0.57%	2.35%	2.04%	2.47%	1.80%	1.50%