Marketing and Retail Analytics

1. What is a SKU ?

Stock Keeping Unit - SKU' A store's or catalog's product and service identification code, often portrayed as a machine-readable bar code that helps the item to be tracked for inventory. These codes are not regulated nor standardized. When a company receives items from a vendor, it has a choice of maintaining the vendor's SKU or creating its own.

2. What is a UPC ?

The Universal Product Code (UPC) is a barcode symbology (i.e., a specific type of barcode) that is widely used in the United States, Canada, the United Kingdom, Australia, New Zealand, and in other countries for tracking trade items in stores. Its most common form, the UPC-A, consists of 12 numerical digits, which are uniquely assigned to each trade item

3. What does CPG stand for? What does FMCG stand for?

Consumer packaged goods (CPG) are consumable goods such as food and beverages, tobacco, and cleaning products. In general, CPGs are things that get used up and have to be replaced frequently, in contrast to items that people usually keep for a long time, such as cars and furniture. In India and in some other countries CPG companies are called as FMCG companies, which stands for Fast Moving Consumer Goods.

4. What are the 3 most important attributes(variables)that we look at when trying to understand customer behavior ?

1. What does a consumer buy?
2. How often does he buy and when does he buy what he buys?
3. How much does he spend?

Quiz- Some basic terms in Marketing(1/2)

1. What is a campaign ?

2. What is a promotion?

3. What is meant by a "prospect pool"?

4. Can you name some companies that sell data? Why do you need external data sets, when you can get internal data ?

Format Definition

Formats	Description	Key categories retailed	Typical size Sq.ft.	Example
Hyper markets	A large superstore, combining a supermarket and departmental store, offering full lines of grocery and general merchandise all under one roof	Food, groceries, apparel, furnishings, consumer durables	15,000-100,000	Big Bazaar, Hypercity, Spencer, Star India Bazaar, Vishal Megamart
Super markets	A large self service outlet offering food and household goods	Food, groceries, medicines	3,000-15,000	FoodWorld, Trinethra, Subshiksha, Food baazar
Convenience stores	Small size, easily accessible stores offering a quick shopping, fast check out experience and extended working hours	Food, groceries, medicines	500-2,000	In&Out
Departmental stores	A large self service outlet offering a variety of merchandise	Apparel, Jewellery, watches, fashion accessories, footwear, furniture, furnishings	10,000-50,000	Shopper's Stop, Lifestyle, Pantaloon, Westside
Category killers	Large speciality stores focussed on one or a few categories of merchandise, offering a wide selection at low prices	Electronics, office supplies, apparel	20,000-100,000	Best Buy – Circuit City, Staples

Format Definition (Contd.)

Formats	Description	Key categories retailed	Typical size Sq.ft.	Example
Warehouse clubs	Warehouse style large stores, offering goods in bulk at discount prices to members	Food, groceries	•100,000 +	Metro cash and carry, Costco, Sam's Club
Single brand outlets	Retail outlet offering products of a single brand	Apparel, footwear, tyres, food services, furniture	•1,000-5,000	Nike, Adidas, Colourplus, McDonalds, Gautier, Gucci, TBZ
Multibrand speciality stores	Retail outlet offering multiple branded products belonging to a single category class	Footwear, apparel, electronics, books	•1,000-20,000	Planet Sports, Planet Fashion, Crosswords

Why an Analytics Health Check is necessary ?

Most Analytics consultancies do an Analytics Health Check of the organization that they consult to gauge how much awareness exists within the firm and how much needs to be built.

Let us do a quick Analytics health check for ourselves and see where we stand !!

Send coupons to customers who shop in your top 10 stores

Send coupons to customers who are your top 100K shoppers across 100 stores

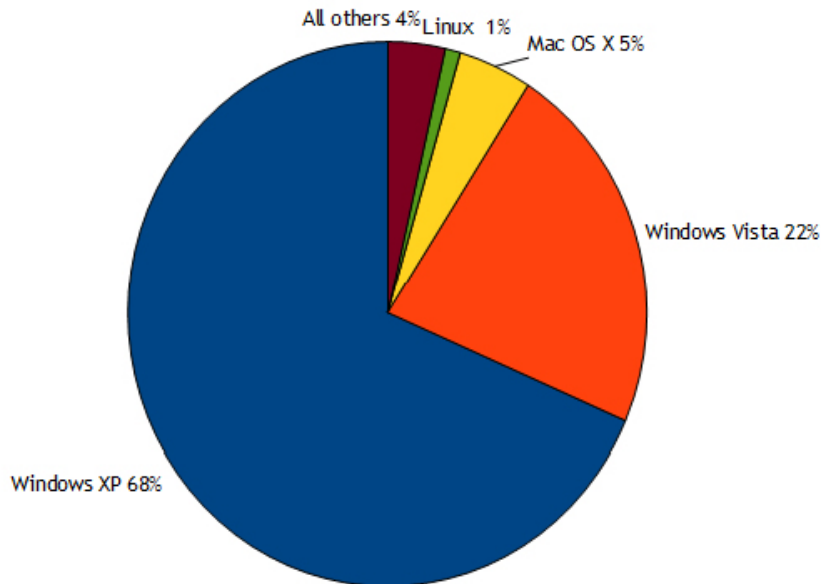# Top 10 stores visa-vis top 100k shoppers

Top 10 stores

On what basis do you identify your top 10 stores ?

Rank stores by revenue ?

Rank stores by margins/profits?

Rank stores by number of goods sold ?

Rank stores by some other metric ? (Revenue per sq. ft)

Top 100k shoppers

On what basis do you identify your top 100k shoppers ?

A person who buys a TV for Rs.100k but visits only once a year, or a person who visits every week, but spends only Rs.10,000 ?

Not just the top 100k shoppers but top 100K shoppers who are either buyers of this brand or this category- what if there are not enough shoppers who buy into this brand ?
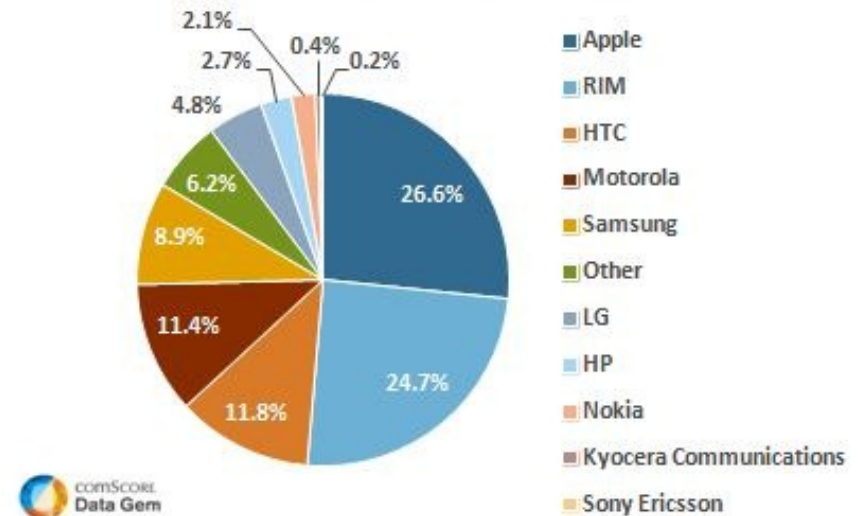
Proxy brand

OS Market Share - Sept 2009

All others 4%   Linux 1%   Mac OS X 5%

Windows Vista 22%

Windows XP 68%

U.S. Smartphone OEM Share

Source: comScore MobiLens, 3 mon. avg. ending May 2011

2.1%   0.4%   0.2%
2.7%
4.8%
6.2%
8.9%   26.6%
11.4%
11.8%   24.7%

- Apple
- RIM
- HTC
- Motorola
- Samsung
- Other
- LG
- HP
- Nokia
- Kyocera Communications
- Sony Ericsson

comScore
Data Gem

Focus on growth of your market share through mass marketing – a la Microsoft

Focus on growing the spend from existing customers
- a la Apple

Mass marketing versus growing share of wallet of existing customers?

Focus on growth of your market share through mass marketing

How do you calculate the market share ?

Syndicated data- IRI, Nielsen, IMRB

How do you increase market share ?
- mass advertising
- new customer acquisition through campaigns

Focus on growing the spend from existing customers

How do you calculate the share of wallet of your customers ?

How will you get data about what your customers are buying from other stores ?

Can you use Analytics to use share of wallet numbers for a small section of your customers and extrapolate to the rest of the population ?

Would you try and beat your competitor on price for key products as compared to adopting a low price strategy for items that are bought by price sensitive customers ?

Every Day low price for many key products

Reduce price of items that are bought by price sensitive customers

Through these Caselets we have covered some important concepts- Can you define them in simple terms ?

Targeted marketing

Share of wallet

Price sensitive customers – Pricing segmentation

Customer Loyalty

How would you define *customer loyalty*?

Customer loyalty means different things to different people, but the <u>following questions best summarize</u> what Retailers are looking for when they want to understand <u>customer loyalty.</u>

1. "Who are the best customers of the Retailer?"
2. "How much of the Retailer's business is reliant on these customers?"
3. "How well is the Retailer meeting the needs of these customers?"(Does the Retailer have the right range and assortment of the products that the customer wants and at the right price points)
4. "How can the Retailer reward these customers ?"
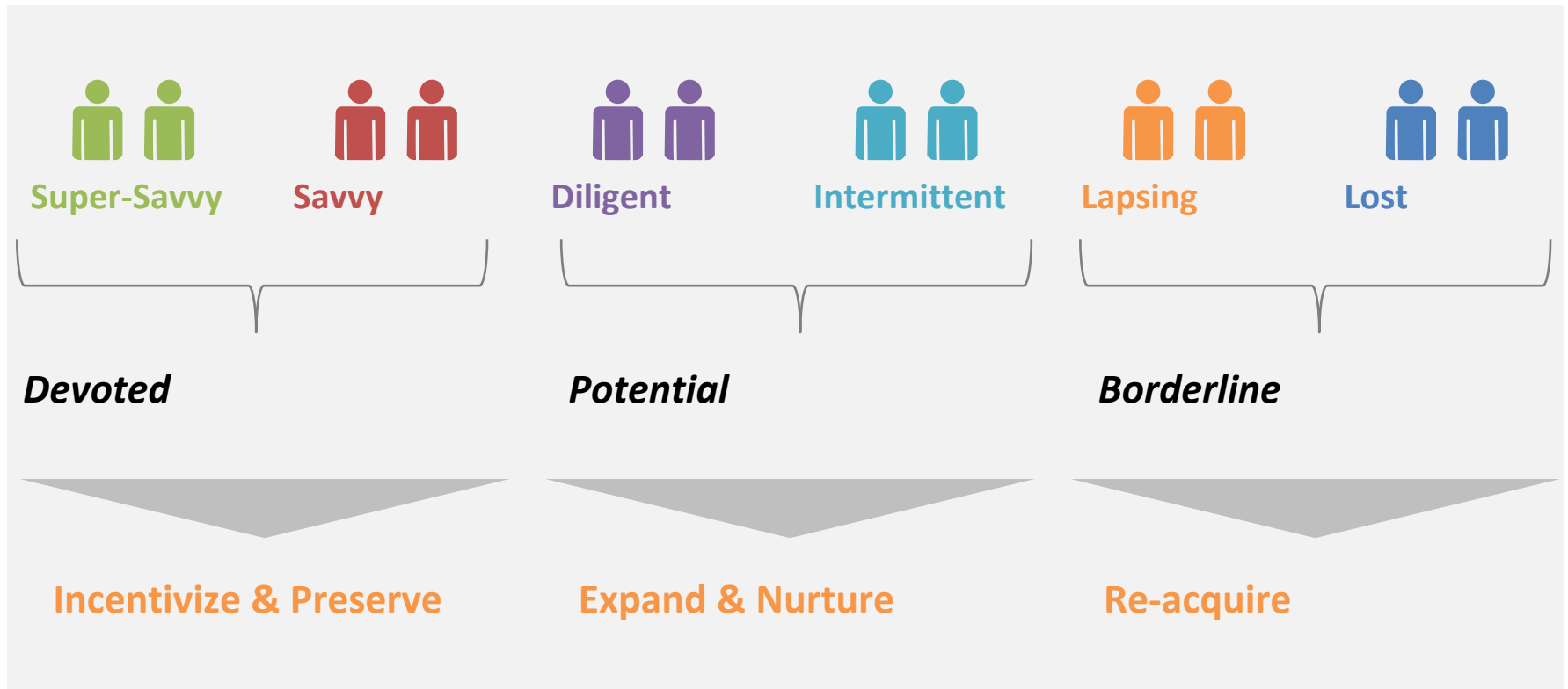
Some common applications of a loyalty segmentation are:

- Prevent defection of the most valuable customers by keeping them engaged and rewarding them often
- Re-activate customers who have become less loyal by re-engaging them with exciting offers
- Increase the loyalty of less engaged customers through personalized and relevant targeting
- Target campaigns at a local level, by understanding regional and store level differences

Consumer Analytics

The most important aspect of Analytics in Retail is to gain a very comprehensive understanding of the consumer

The key to understanding consumer behavior is through building different kinds of segments :

1. **RFM** :- This segmentation technique gives you a <u>measure of the loyalty</u> of the customer. (Should be refreshed at least once in a quarter as there movements across segments in shorter time frames).

2. **Consumer Lifestyle Segmentation**:- Run a cluster Analysis on the consumer level data of Retailers to arrive at this segmentation. (How many segments are recommended ?)

Actions to be taken using RFM segments

Super-Savvy   **Savvy**   **Diligent**   **Intermittent**   **Lapsing**   **Lost**

Devoted   *Potential*   *Borderline*

Incentivize & Preserve   **Expand & Nurture**   **Re-acquire**

A targeted communications strategy will drive required behaviour from all customer groups

Collapsing the RFM segments

Segment 1

High_High_High	36	3.60%
High_High_Medium	1	0.10%
High_Medium_High	115	11.50%
Medium_High_High	2	0.20%
		15.40%

Segment 2

High_Medium_Medium	9	0.90%
Medium_Medium_High	97	9.70%
Medium_High_Medium	0	0.00%
Medium_Medium_Medium	10	1.00%
		11.60%

Segment 3

High_Low_High	3	0.30%
High_Low_Medium	0	0.00%
High_Low_Low	0	0.00%
High_High_Low	0	0.00%
High_Medium_Low	1	0.10%
Medium_Low_High	121	12.10%
Medium_Low_Medium	30	3.00%
Medium_Low_Low	15	1.50%
Medium_High_Low	0	0.00%
Medium_Medium_Low	2	0.20%
		17.20%

Segment 4

Low_High_High	0	0.00%
Low_High_Medium	0	0.00%
Low_Medium_High	65	6.50%
Low_Medium_Medium	8	0.80%
		7.30%

Segment 5

Low_Low_High	259	25.90%
Low_Low_Medium	120	12.00%
Low_Low_Low	44	4.40%
Low_High_Low	0	0.00%
Low_Medium_Low	2	0.20%
		42.50%

Segment 6

High_Very Low_High	0	0.00%
High_Very Low_Medium	0	0.00%
High_Very Low_Low	0	0.00%
		0.00%

Segment 7

Medium_Very Low_High	0	0.00%
Medium_Very Low_Medium	0	0.00%
Medium_Very Low_Low	0	0.00%
Low_Very Low_High	5	0.50%
Low_Very Low_Medium	5	0.50%
Low_Very Low_Low	3	0.30%
		1.30%

Segment 8

High_High_Very Low	0	0.00%
High_Medium_Very Low	0	0.00%
High_Low_Very Low	0	0.00%
High_Very Low_Very Low	0	0.00%
Medium_High_Very Low	0	0.00%
Medium_Medium_Very Low	0	0.00%
Medium_Low_Very Low	6	0.60%
Medium_Very Low_Very Low	0	0.00%
Low_High_Very Low	0	0.00%
Low_Medium_Very Low	0	0.00%
Low_Low_Very Low	35	3.50%
Low_Very Low_Very Low	6	0.60%
		4.70%

Products are categorised using Customer Lifestyle Attributes

Each product is categorised using a series of attributes

- Low Price
- Reliance Own
- Reliance Select

- Fresh
- Unpacked
- Conventional

- Branded
- South Indian
- Quick

Top products that account for 95% sales are flagged with such attributes

We look for the balance of key attributes in each customers shopping ...

Can you come up with 50 pre-identified Customer Lifestyle Attributes for Reliance Retail ?

We make use of over 50 attributes for profiling customers who then can be grouped into 6 to 12 more manageable high level Lifestyles segments. The numerous dimensions give us a deeper understanding of particular shopping behaviour of various customer groups.

For example we can easily identify customers who have a tendency to buy into large non-food items (electrical etc). This will be used in targeting for Reliance Digital.
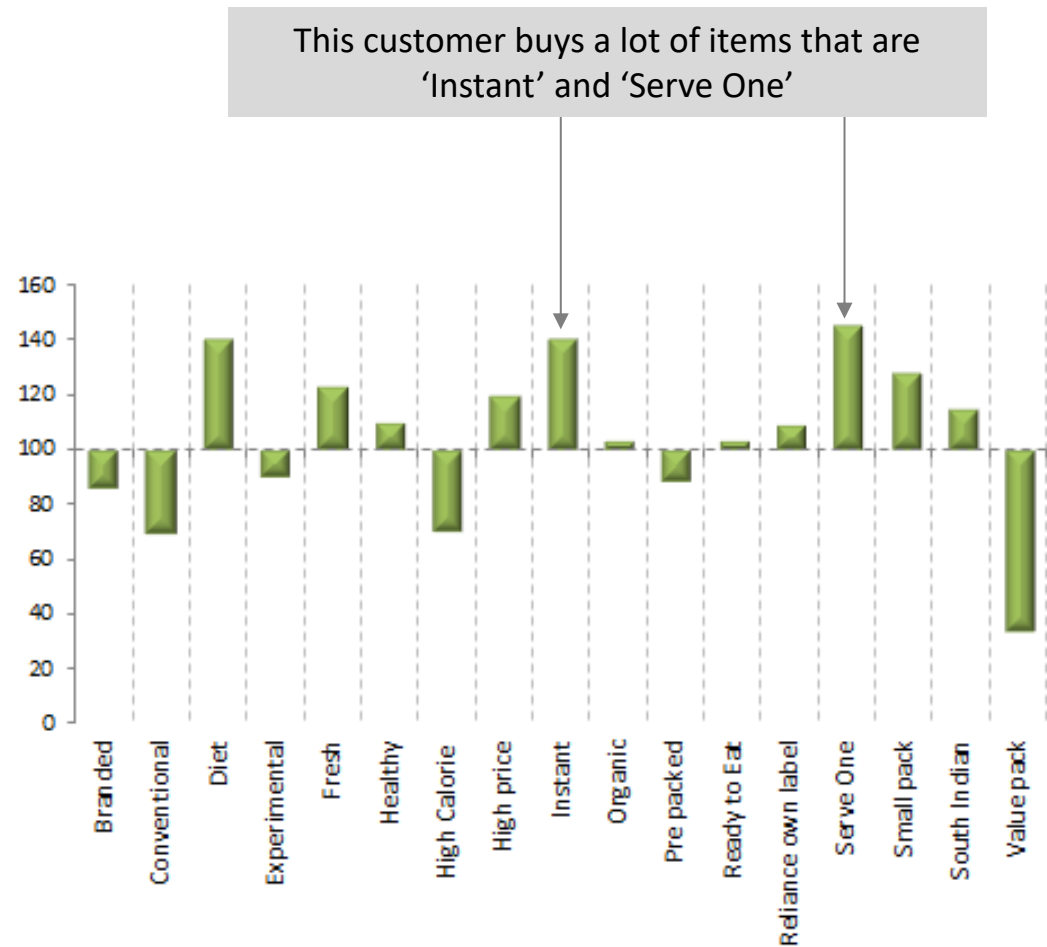
• Basic Cooking	• Italian	• Reliance Dairy Life
• Branded	• Jain	• Reliance Dairy Pure
• Chinese	• Kids	• Reliance Healthy Life
• Collection items	• Long-life	• Reliance Premium
• Conventional	• Low Fat	• Reliance own label
• Experimental	• Low price	• Reliance Select
• Exotic	• Non food - All	• Reliance Value
• Fresh	• Non food - Essentials	• Serve One
• Halal	• Non food - Kids	• Small pack
• Healthy	• Non food - Perishables	• South Indian
• High Calorie	• Non food - Value added	• Supplements Alternative
• High price	• Organic	• Thai
• Hygiene	• Pre packed	• Unpacked
• Imported	• Ready to Eat	• Value pack
• Instant		• Vegetarian lenient
		• Vegetarian pure

These dimensions make up each customers 'Lifestyles DNA' or persona

- We study product attributes of all items in your basket

- We can then see when you are frequently buying products with the same attribute

- We then compare you to the Rest of Reliance shopper to see where your purchasing behaviour is most extreme

This customer buys a lot of items that are 'Instant' and 'Serve One'

Customer Life segments

Price sensitive

Bargain Hunters • Heavy users of discount coupons and offers • Value driven buyers who often end up with the lowest priced items • Don't like to experiment with their shopping list, stick to a limited product range • Price is the most important factor in their shopping decisions
Economy Spenders • This group goes for value for money product combos and bulk packs • Buy pre-packaged cereal and dals from Value range but not a lot from the fresh range products.

Conventional

Conventional • The most traditional customer group • They don't like to buy in bulk, shop frequently but have smaller baskets • Know what they want and stick to it • They tend to be older and buy conventional food items

Predominant

Typical Brands • Regularly buy similar items, mostly traditional meals • Not big spenders, but buy popular brands that are tried and tested rather than own label products
Controlled by Kids • Families where kids who dictate shopping list • This customer group visit the store frequently • They need to buy lots of Non-food items for kids, so prefer to have everything at one store • Their baskets are larger and they are more inclined towards promotions

Nutrition First

Wholesome Living • Relatively older shoppers who don't experiment much • Stick to traditionally healthy habits of eating • Don't fret about calorie count • Buy wholesome nutritious foods
Calorie Conscious • Usually working couples with no kids • Tend to be health conscious and buy low-cal items • Unlikely to buy anything with high fat or high calories • May have an inclination towards organic product range

No Time for Kitchen

Too Cool to Cook • Younger adults, living away from family, mostly with friends • Like to spend their time at work/on activities rather than in kitchen • Often pick up quick and/or ready-to-eat meals
Busy Connoisseurs • Young professionals who enjoy fine food but can't make time for cooking • Buy wide range of food items on-the-go • Prefer to shop for Grocery and Non-food at one single place for convenience

Delicatessen Diners

Gourmet Lovers• This customer group has developed a palette over time • They are well travelled and know their food • Tend to be slightly older adults who enjoy cooking • Don't hesitate in venturing out to specialist stores •
Global Organics • Environmentally conscious customers who buy lots of organic foods • They are often experimental cooks who like to cook from scratch • Influenced by non-conventional cooking techniques
Experimentalists • First ones to try novel and exotic things • Appreciate fine food and like to cook at home as well • Buy from a wide range of food.

Most frequent complaint from clients/stakeholders- we get tables, charts and models but little insights and recommendations

1. Look at the different elements of your data and think how it is useful for a retailer

2. Does he want to know more about his stores and how they are performing ?

3. Will he be interested in knowing consumer behavior ?

4. Which categories are doing well and which categories are not ?

5. Which brands are doing well in my stores and which are not ?

6. Analysis using the data
   - Store level (build it with the class)
   - Brand level
   - Category level
   - Customer segment level

Create Insights and prepare a dashboard from the loyalty data set

- Enterprise level dashboards

- Store level dashboards

- Consumer level dashboards

- Vendor dashboards/scorecards

Survey – some points to remember

- **Establishing the Aim(s) of Your Research**
  - If your research is too broad, you will have to ask too many questions; too narrow and you will not be researching the topic thoroughly enough
- **Determining Your Sample Group**
  1. Random selections from a stratified sample
  2. Pure random sample (utopian in a large data scenario)

- **Methodology**
  - Face to face
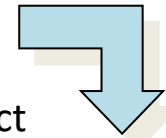 - Mail

Direct Marketing Life Cycle without Analytics

Campaign Brief

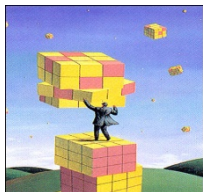- Campaign Details

- DM Costs

- Post Campaign Expectations

Campaign Planning, Scheduling and Documentation

- Random Population selected based on availability of budgets

- No selection criteria used

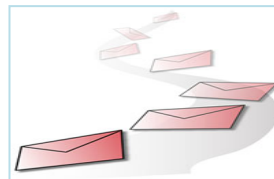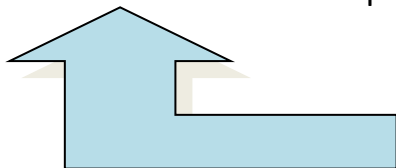- Anyone in the prospect pool can get an email

**Carpet bombing of a million customers
No tangible return on investment
Exhausted your marketing budget as per plan
A very happy boss- you have covered most customers !!**

Learnings from campaign lost

No Analysis of campaigns done

Danger of repeating the same promotional mail to a prospect within X months again and thus violating US state laws

Mail House Intimation

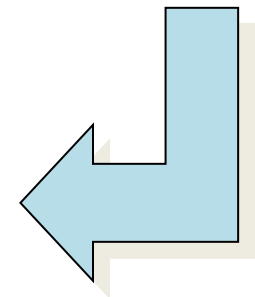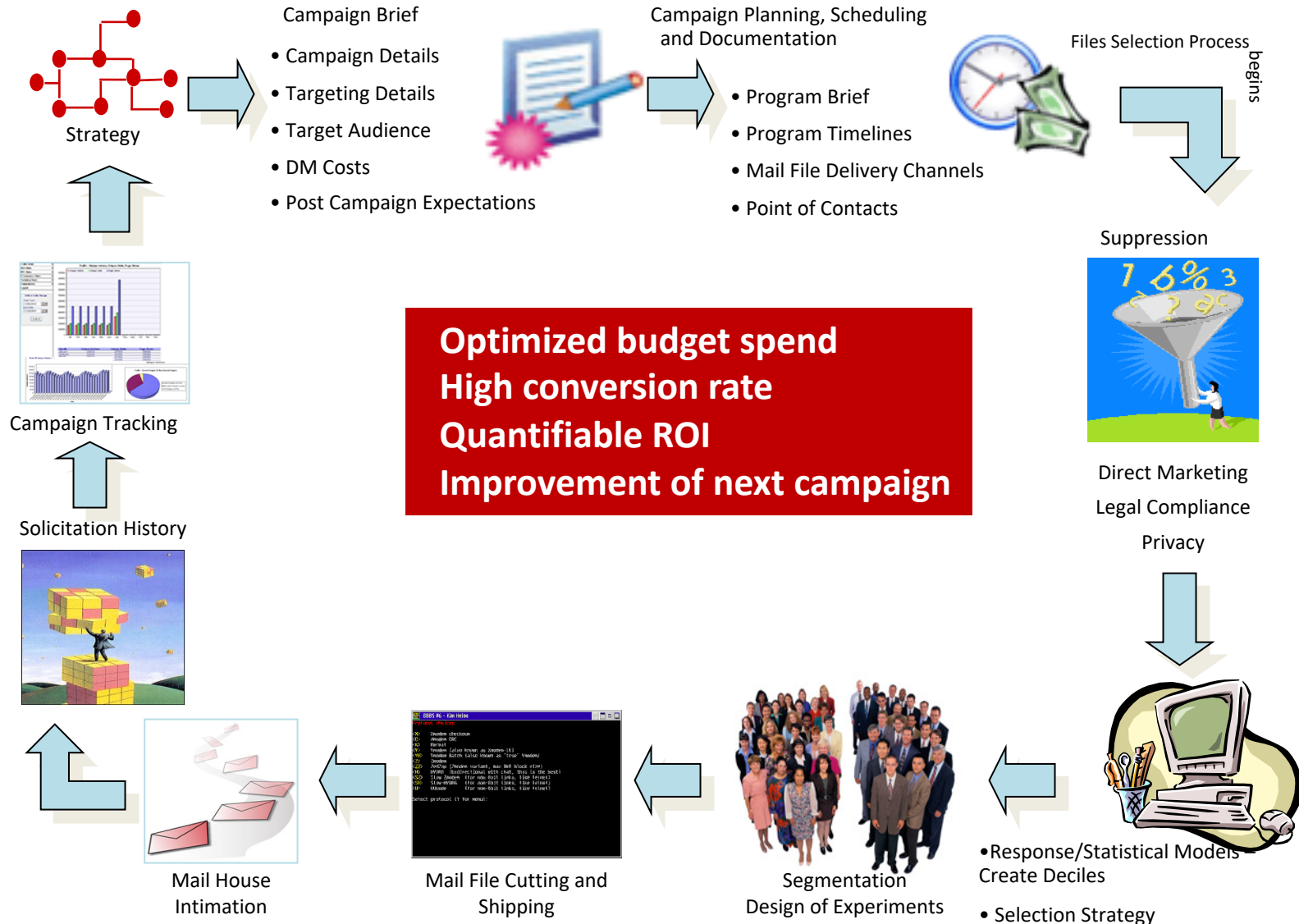# Direct Marketing Life Cycle with Analytics embedded

Strategy

Campaign Brief
- Campaign Details
- Targeting Details
- Target Audience
- DM Costs
- Post Campaign Expectations

Campaign Planning, Scheduling and Documentation
- Program Brief
- Program Timelines
- Mail File Delivery Channels
- Point of Contacts

Files Selection Process begins

Suppression

Direct Marketing Legal Compliance Privacy

Optimized budget spend
High conversion rate
Quantifiable ROI
Improvement of next campaign

Campaign Tracking

Solicitation History

Mail House Intimation

Mail File Cutting and Shipping

Segmentation Design of Experiments

- Response/Statistical Models Create Deciles
- Selection Strategy

Thank you!