

AUGUST 2024

# Market Entry Insights for Apparel Retailer

A Data-Driven Guide

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# Executive Summary

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## Overview

The purpose of this report is to provide a comprehensive analysis of customer behavior, product performance, and regional sales to guide the company's market entry strategy. The analysis covers key areas including demographic preferences, product trends, regional market analysis, and customer loyalty insights.

## Insights

<b>Customer Segments</b>	<ul style="list-style-type: none"><li>Gen Z emerges as the most significant customer segment, showing a strong preference for casual and versatile products such as Plain Tees, Flip Flops, and Oxfords.</li></ul>
<b>Product Performance</b>	<ul style="list-style-type: none"><li>The top-performing products across the board include Plain Tees, Flip Flops, Oxfords, Off-the-Shoulder Tees, and Sandals.</li><li>Seasonal trends reveal a spike in sales for specific items, such as Plain Tees and Flip Flops during spring and summer, and Oxfords and Off-the-Shoulder Tees in the fall.</li></ul>
<b>Regional Insights</b>	<ul style="list-style-type: none"><li>The USA stands out as the leading market, with significant sales in states like California, Illinois, and Texas.</li><li>UK and Australia also show strong market potential, each with distinct product preferences, such as Oxfords and Off-the-Shoulder Tees in the UK, and Plain Tees and Flip Flops in Australia.</li></ul>
<b>Customer Loyalty</b>	<ul style="list-style-type: none"><li>Analysis reveals that the Newly Acquired segment contributes significantly to overall revenue, with the highest customer lifetime value (CLV) coming from the Gen Z age group.</li><li>The purchase frequency among different segments indicates steady engagement, with opportunities to enhance loyalty programs to boost repeat purchases.</li></ul>

# Executive Summary

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## Actionable Recommendations

<b>Target Segments</b>	Focus marketing efforts on the Gen Z and Newly Acquired customer segments, leveraging their high engagement and spending power.
<b>Product Strategy</b>	Prioritize inventory and marketing efforts for top-selling products like Plain Tees and Oxfords, particularly during peak seasons.
<b>Regional Strategy</b>	Implement tailored marketing campaigns in key regions, particularly in the USA, UK, and Australia, to align with local product preferences.
<b>Loyalty Programs</b>	Develop and enhance loyalty programs to retain high-value customers, with a focus on increasing repeat purchases from the Newly Acquired segment.

This analysis provides a robust foundation for the company's market entry strategy, emphasizing the importance of targeting the right customer segments with the right products. By focusing on high-performing products and regions, and enhancing customer loyalty initiatives, the company can position itself for success in new markets.

# Introduction

## Company Overview: LOKII

- **Innovative Apparel Brand:** Aiming for a dynamic entry into the competitive fashion market.
- **Mission:** Offer stylish, high-quality clothing that resonates with modern consumers.
- **Vision:** Create a unique market presence by:
  - Understanding and catering to customer preferences.
  - Leveraging data-driven insights to shape product offerings and marketing strategies.

## Purpose

- **Objective:** Establish a strong foothold in the apparel market.
- **Goals:**
- Gain a comprehensive understanding of customer behavior and market trends.
- **Provide actionable insights for:**
  - Product development.
  - Inventory management.
  - Marketing efforts.
- Optimize market entry strategy and position LOKII effectively against competitors.

# Dataset Description

## Dataset Description

### Overview:

#### Type: Retail transactional data

Content: Information on customers, purchases, products, and transactions.

Key Points:

#### Customer Information:

Attributes: ID, name, email, phone, address, city, state, zipcode, country, age, gender.

Segments: Premium, Regular, New.

#### Transaction Details:

Attributes: Transaction ID, last purchase date, total purchases, amount spent, feedback, shipping method, payment method, order status.

#### Product Information:

Attributes: Category, brand, type.

Categories: Electronics, Clothing, Grocery, Books, Home Decor.

Geographic Information:

#### Location details: City, state, country.

Countries: USA, UK, Canada, Australia, Germany.

#### Temporal Information:

Last purchase date with year, month, date, and time for temporal analysis.

# THE PROCESS

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## Data Collection:

- **Source:** Retail transactional dataset, including customer demographics and purchase history.
- **Tools:** Python for data handling, SQL for querying.

## Data Preparation in Python:

- **Cleaning:** Addressed null values and removed duplicates. Filtered and aggregated data to focus exclusively on clothing-related information.
- **Transformation:** Standardized product categories specifically to focus on the clothing category, and created new columns such as age groups (e.g., generations).
- **Preprocessing:** Addressed discrepancies and inconsistencies within the data to ensure a seamless analysis.
- **Segmentation:** Used a clustering algorithm to perform an RFM analysis, grouping customers by purchase behavior and segmenting them accordingly.

## In-depth Analysis in SQL:

- **Insights:** Conducted a thorough and detailed analysis of different customer segments, exploring their association with RFM scores and product preferences.

## Data Visualization with Tableau:

- **Visuals:** Created dashboards that display key insights on customer segments, product performance, and sales trends across various factors.
- **Purpose:** Enabled interactive exploration of data for strategic decision-making and provided a foundational understanding of the data.



# INSIGHTS

# Category Breakdown

- Best-Selling Products:**

- Dresses:** Maxi Dresses, Wrap Dresses, and Cocktail Dresses emerged as the most bought items.
- Jackets:** Peacoats, Leather Jackets, and Trench Coats were top performers in their category.
- Tops:** Henley Shirts, Hoodies, and Sweatshirts were among the most favored.

- Highest Rated Products:**

- Dresses:** A-line Dresses, Shift Dresses, and Fit and Flare Dresses received the highest customer ratings.
- Shirts:** Henley Shirts, Hoodies, and Sweatshirts were among the highest-rated products.

	product_type character varying (50) 	products character varying (50) 	total_bought bigint 	rank bigint 
1	Dress	Maxi dress	3380	1
2	Dress	Wrap dress	3327	2
3	Dress	Cocktail dress	3295	3
4	Jacket	Peacoat	3512	1
5	Jacket	Leather jacket	3363	2
6	Jacket	Trench coat	3270	3
7	Jeans	High-waisted jeans	3335	1
8	Jeans	Flare jeans	3332	2
9	Jeans	Straight-leg jeans	3280	3
10	Shirt	T-shirt	3397	1
11	Shirt	Blouse	3324	2
12	Shirt	Flannel shirt	3289	3
13	Shoes	Flip flops	6656	1
14	Shoes	Oxfords	6644	2
15	Shoes	Sandals	6602	3
16	Shorts	Chino shorts	3464	1
17	Shorts	Swim trunks	3340	2
18	Shorts	Athletic shorts	3325	3
19	T-shirt	Plain tee	6845	1
20	T-shirt	Off-the-shoulder tee	6756	2
21	T-shirt	Scoop neck tee	6681	3

## Popular Products by Product Type

## High Rated Products by Product Type

	product_type character varying (50) 	products character varying (50) 	avg_ratings numeric 	rank bigint 
1	Dress	A-line dress	3.17	1
2	Dress	Shift dress	3.12	2
3	Dress	Fit and flare dress	3.10	3
4	Jacket	Windbreaker	3.21	1
5	Jacket	Leather jacket	3.15	2
6	Jacket	Puffer jacket	3.14	3
7	Jeans	Wide-leg jeans	3.12	1
8	Jeans	Bootcut jeans	3.11	2
9	Jeans	Boyfriend jeans	3.09	3
10	Shirt	Hoodie	3.25	1
11	Shirt	Sweatshirt	3.21	2
12	Shirt	Henley shirt	3.20	3
13	Shoes	Espadrilles	3.20	1
14	Shoes	Flip flops	3.12	2
15	Shoes	Oxfords	3.10	3
16	Shorts	Khaki shorts	3.24	1
17	Shorts	Denim shorts	3.19	2
18	Shorts	Bermuda shorts	3.17	3
19	T-shirt	Raglan tee	3.20	1
20	T-shirt	Long-sleeve tee	3.17	2
21	T-shirt	Off-the-shoulder tee	3.16	3

# Demographic Preferences

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## Product Preferences by Demographics

- **Gen Z (Largest Customer Segment)**
  - **Top choices:** Plain Tees, Flip Flops, Off-the-Shoulder Tees, Crew Neck Tees, Oxfords
  - Favors casual and versatile items
- **Gen X:**
  - **Prefers:** Oxfords, Flip Flops, Long Sleeve Tees, Henley Tees, Scoop Neck Tees
  - Mix of casual and semi-formal styles
- **Millennials:**
  - **Popular items:** Scoop Neck Tees, Sandals, Boots, Espadrilles, Henley Tees
  - Balances comfort and style

**Seasonal Product Popularity:** The data highlights how customer preferences shift with the seasons, aligning with broader fashion trends:

- **Spring/Summer**
  - **High demand:** Scoop Neck Tees, High Heels, Espadrilles, Henley Tees, Flip Flops
- **Fall**
  - **Increased interest:** Oxfords, Off-the-Shoulder Tees, Henley Tees
- **Winter**
  - **Preference for:** Scoop Neck Tees, Long Sleeve Tees

Product Preference by Season

	season text	product_type character varying (50)	products character varying (50)	total_bought bigint	total_amount numeric
1	Fall	Shoes	Oxfords	708	32327.56
2	Fall	T-shirt	Off-the-shoulder tee	592	30545.35
3	Fall	T-shirt	Henley tee	566	30112.42
4	Spring	T-shirt	Scoop neck tee	665	31865.92
5	Spring	Shoes	High heels	587	31288.07
6	Spring	Shoes	Espadrilles	565	30768.52
7	Summer	Shoes	Flip flops	700	31198.05
8	Summer	Shoes	Espadrilles	645	31021.72
9	Summer	T-shirt	Henley tee	595	30127.16
10	Winter	T-shirt	Scoop neck tee	764	32393.04
11	Winter	T-shirt	Off-the-shoulder tee	662	32256.49
12	Winter	T-shirt	Long-sleeve tee	683	31641.68

Product Preference by Generations

	generation character varying (20)	product_type character varying (50)	products character varying (50)	purchase_count bigint	rank bigint
1	Boomer	T-shirt	Off-the-shoulder tee	765	1
2	Boomer	Shoes	Loafers	740	2
3	Boomer	T-shirt	Plain tee	715	3
4	Boomer	Shoes	Running shoes	706	4
5	Boomer	Shoes	Oxfords	685	5
6	Gen X	Shoes	Oxfords	1788	1
7	Gen X	Shoes	Flip flops	1746	2
8	Gen X	T-shirt	Long-sleeve tee	1742	3
9	Gen X	T-shirt	Henley tee	1728	4
10	Gen X	T-shirt	Scoop neck tee	1704	5
11	Gen Z	T-shirt	Plain tee	3356	1
12	Gen Z	Shoes	Flip flops	3202	2
13	Gen Z	T-shirt	Off-the-shoulder tee	3166	3
14	Gen Z	T-shirt	Crew neck tee	3143	4
15	Gen Z	Shoes	Oxfords	3122	5
16	Millennial	T-shirt	Scoop neck tee	1330	1
17	Millennial	Shoes	Sandals	1295	2
18	Millennial	Shoes	Boots	1255	3
19	Millennial	Shoes	Espadrilles	1230	4
20	Millennial	T-shirt	Henley tee	1213	5

# Product Analysis

## Seasonal Trends

Identified key seasonal trends for product sales - the sales data was analyzed/filtered based on a country. So, for the USA, the following was observed:

- **May:** Peak sales for A-line Dresses and Fit and Flare Dresses.
- **August:** High demand for Flip Flops and Off-the-Shoulder Tees.
- **November:** Oxfords saw a significant increase in sales, possibly linked to fall fashion trends.
- **May:** Sandals and Plain Tees were particularly popular.

## Product Purchase Pattern : Top 5 best sellers



# Sales and Revenue Insights

## Top Performers:

- **Top Revenue-Generating Products:** The leading products in terms of revenue are Flip Flops, Off-the-Shoulder Tees, Oxfords, Plain Tees, and Sandals.
- **Top Regions:** The highest revenue comes from the USA, followed by the UK, Germany, Australia, and Canada.
- **Revenue Breakdown:**
- The majority of sales are concentrated in these top-performing products and regions, highlighting the significant impact they have on overall revenue.

## Segmentation Analysis:

- **Customer Segments:** Revenue is distributed across different customer segments as follows:
- **Regular Customers: \$25.7M**
- **New Customers: \$23.47M**
- **Premium Customers: \$12.34M**
- This analysis shows that Regular and New customers contribute the most to revenue, while Premium customers, although smaller in number, offer high-value contributions.

**Sales By Country**

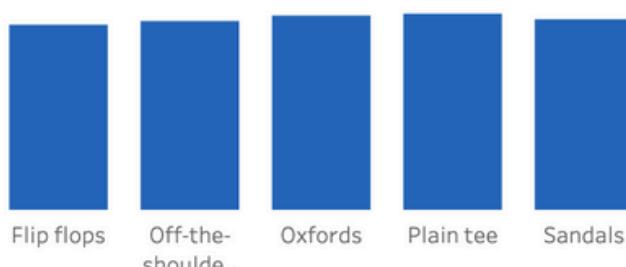


**Sales Distribution**

Customer Segment



**Top 5 Products - Sales**



# Regional Market Analysis

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## Top Regions

### Performance Metrics: Sales

- **USA:**
  - California: **\$3.75M**
  - Illinois: **\$2.82M**
  - Texas: **\$2.12M**
- **Canada:**
  - Ontario: **\$3.25M**
  - British Columbia: **\$1.32M**
  - Alberta: **\$994K**
- These regions represent the highest sales contributors within their respective countries, significantly impacting overall revenue.

### Revenue Impact:

- The top-performing regions in the USA and Canada contribute a substantial portion of the total revenue, with California and Ontario leading in their respective markets.

## Regional Preferences

- **Product & Purchase Behavior:**
  - **USA:** The top-selling products are Plain Tees, Off-the-Shoulder Tees, and Sandals.
  - **UK:** Popular products include Oxfords, Flip Flops, and Off-the-Shoulder Tees.
  - **Australia:** Preferences lean towards Plain Tees, Oxfords, and Flip Flops.

## Regional Trends:

- **USA vs. UK:** While both regions favor casual wear like tees and flip flops, the UK shows a stronger preference for Oxfords, indicating a slightly more formal market compared to the USA.
- **Australia:** Shares similar preferences with the USA, focusing on versatile and casual items, which suggests potential for unified marketing strategies across these regions.

# Customer Behavior Insights

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## Spending Habits and Loyalty Indicators

### • Purchase Frequency

- New customers showed slightly higher frequency (1.87 average score) at the start of the year, particularly in January.
- Differences between customer segments were minimal.

### • Segment Analysis

- High repeat purchase rates observed across all segments.
- Consistent purchase frequency maintained throughout the year for all customer types.

### • Loyalty Insights

- Moderate customer loyalty evident across segments.
- Opportunities exist for:
  - Retaining new customers : Converting new customers to regular customers

### • Customer Lifetime Value (CLV)

#### ◦ Key Findings

- Newly acquired customers contribute the highest CLV.
- Significant sales from Gen Z (18–25 years old).
- Strong performance from age groups 46–55 and 26–35.

Popular Gen  
Gen Z 25,001

Customer Count  
44,001

Average CLTV  
2,180

## RFM Scores by Segment

-- SCORE TYPE --

Frequency Score



Jan  
Customer Segment: New  
Avg. Selected Score: 1.87  
Max. Selected Score: 3

Jan

Dec

# Recommendations for Market Entry

## Target Segments:

- **Primary Focus:** Concentrate on the **Gen Z (18-27)** segment, which has shown the highest purchase frequency and CLV. This segment is driven by trends and is likely to respond well to marketing campaigns highlighting the latest fashion items.
- **Secondary Focus:** Consider the **Millennials (28-43 years old)** and **Gen X (44-59 years old)** segments as secondary targets, particularly for products like **Oxfords, Henley Tees**, and other versatile items that appeal to both groups.

## Product Strategy:

- **Top Products:** Prioritize **Plain Tees, Flip Flops, Off-the-Shoulder Tees, Oxfords, and Sandals** in marketing and inventory management. These items are consistently popular across multiple demographics and regions.
- **Seasonal Inventory:** Stock up on seasonal products like **Oxfords and Henley Tees** in the fall and **Scoop Neck Tees, High Heels, and Espadrilles** in spring/summer to meet peak demand.

# Recommendations

## Marketing Strategy:

- **Regional Campaigns:**
- **USA:** Focus on promoting Plain Tees, Off-the-Shoulder Tees, and Sandals.
- **UK:** Emphasize Oxfords, Flip Flops, and Off-the-Shoulder Tees.
- **Australia:** Highlight Plain Tees, Oxfords, and Flip Flops.
- **Demographic-Specific Campaigns:** Create tailored campaigns for Gen Z, leveraging social media platforms to promote casual and trendy items like Plain Tees and Flip Flops.

## Sales Strategy:

- **Pricing Strategies:** Implement competitive pricing for high-demand products, especially for the Gen Z segment. Consider bundling offers on popular items like Plain Tees and Flip Flops to encourage higher purchase frequency.
- **Promotional Offers:** Offer targeted discounts and loyalty rewards to new customers, particularly in their early purchase stages, to convert them into regular buyers.
- **Distribution Channels:** Ensure strong online presence and efficient e-commerce channels, as younger demographics are more likely to shop online.

# CONCLUSION

## Summary of Findings:

The analysis provided crucial insights into customer behavior, product preferences, and regional sales patterns, all of which are instrumental in shaping the company's market entry strategy. Key findings include:

- **Target Segments:** Gen Z emerged as the dominant customer segment, with a strong preference for casual items like Plain Tees and Flip Flops. The Newly Acquired customer segment shows the highest customer lifetime value (CLV), highlighting a significant opportunity for retention-focused marketing.
- **Product Strategy:** Top revenue-generating products include Flip Flops, Off-the-Shoulder Tees, and Oxfords, with seasonal preferences influencing sales. For example, Oxfords and Off-the-Shoulder Tees are popular in fall, while Plain Tees and Flip Flops peak in spring and summer.
- **Regional Preferences:** The USA, UK, and Australia are key markets, each displaying distinct product preferences. In the USA, Plain Tees and Sandals dominate, whereas in the UK, Oxfords and Flip Flops are more popular.
- **Customer Loyalty:** The analysis of purchase frequency and customer segments highlighted the importance of loyalty indicators. New customers showed higher purchase frequency, suggesting potential for long-term engagement.

# CONCLUSION

## Final Recommendations:

Based on the analysis, the company should consider the following strategies as it enters the market:

- **Focus Marketing Efforts:** Prioritize Gen Z and the Newly Acquired customer segments, particularly in key regions like the USA and UK. Tailor campaigns to promote top products like Plain Tees and Oxfords, which align with their preferences.
- **Optimize Inventory Management:** Ensure sufficient stock of high-demand items during peak seasons, such as Flip Flops in summer and Oxfords in fall, to capitalize on seasonal trends.
- **Regional Campaigns:** Develop targeted marketing strategies for each region, emphasizing the most popular products. For example, promote Oxfords and Off-the-Shoulder Tees in the UK, while focusing on Plain Tees and Sandals in the USA.
- **Enhance Loyalty Programs:** Given the high CLV among Newly Acquired customers, invest in loyalty programs that incentivize repeat purchases and strengthen brand loyalty.

# **Further Illustrations**

## **Detailed Analyses**

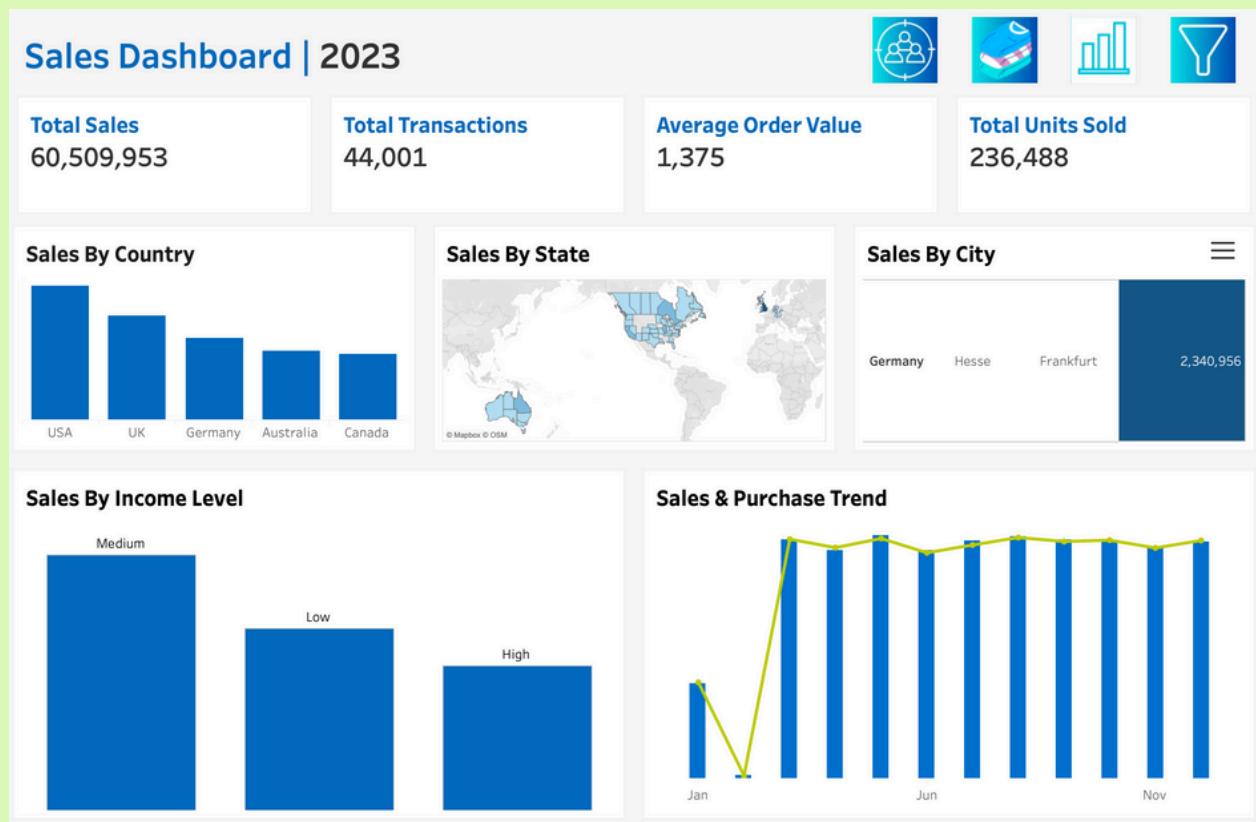
**This section includes a few charts, and tables that offer a deeper understanding of the findings discussed in the main report. The content here includes:**

- 1. Sales breakdown by Region**
- 2. Demographic Segmentation**
- 3. Product Performance by Category**

## Sales Breakdown by Region:

Detailed charts showing sales performance across different states and countries

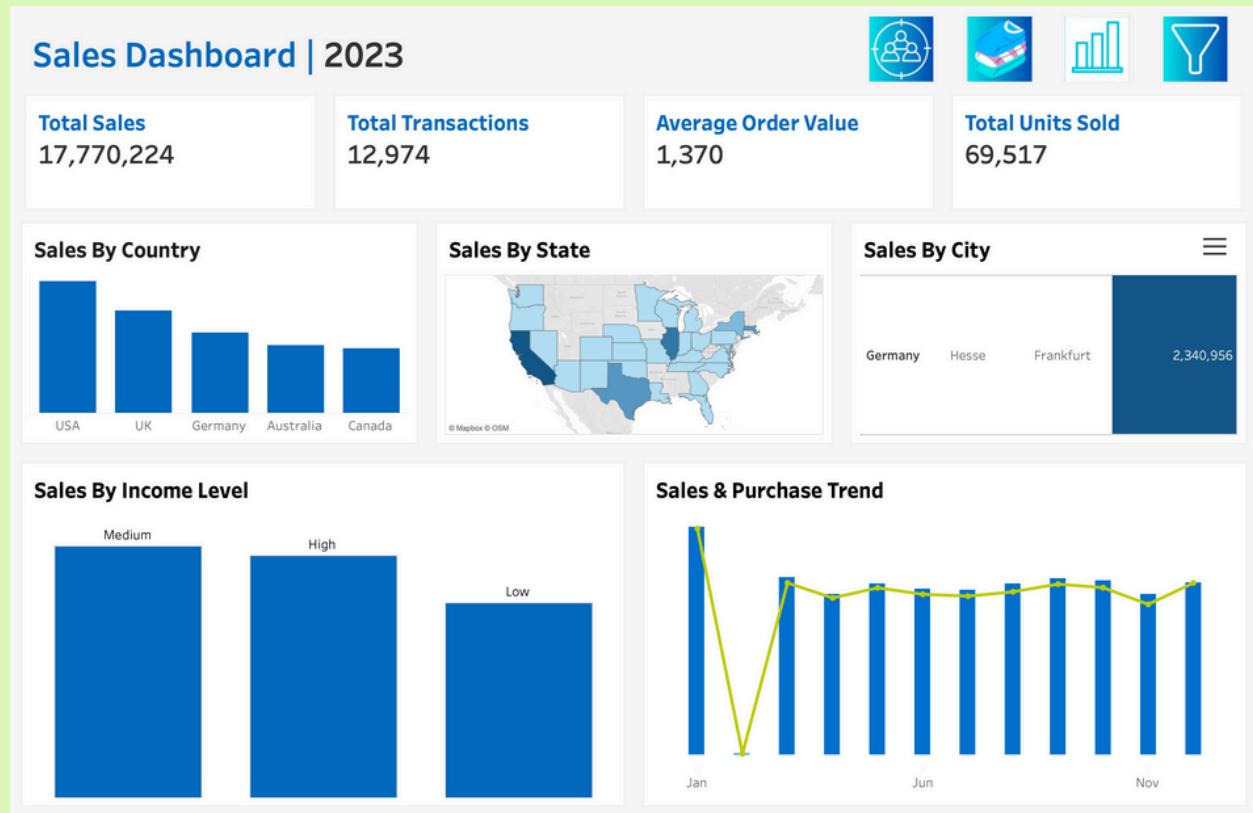
### Overall Sales Distribution



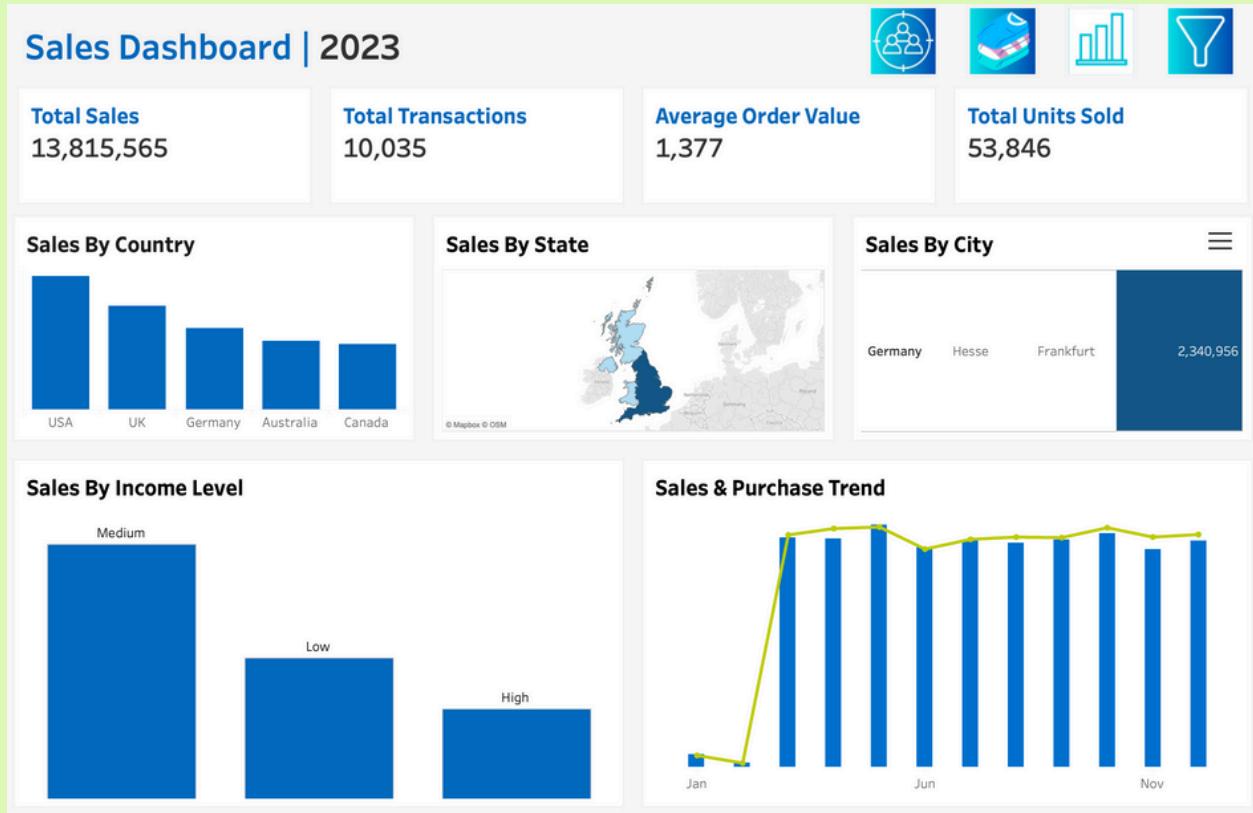
### AUSTRALIA



# USA



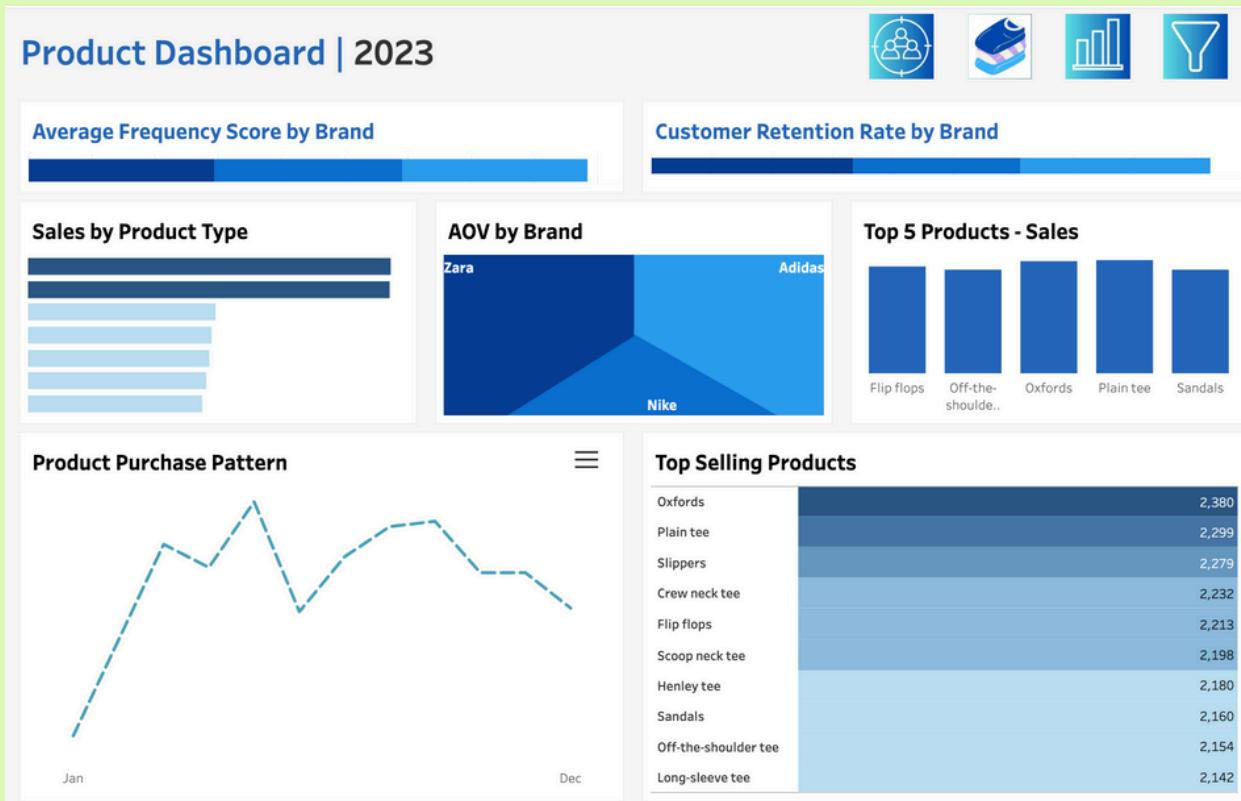
# UK



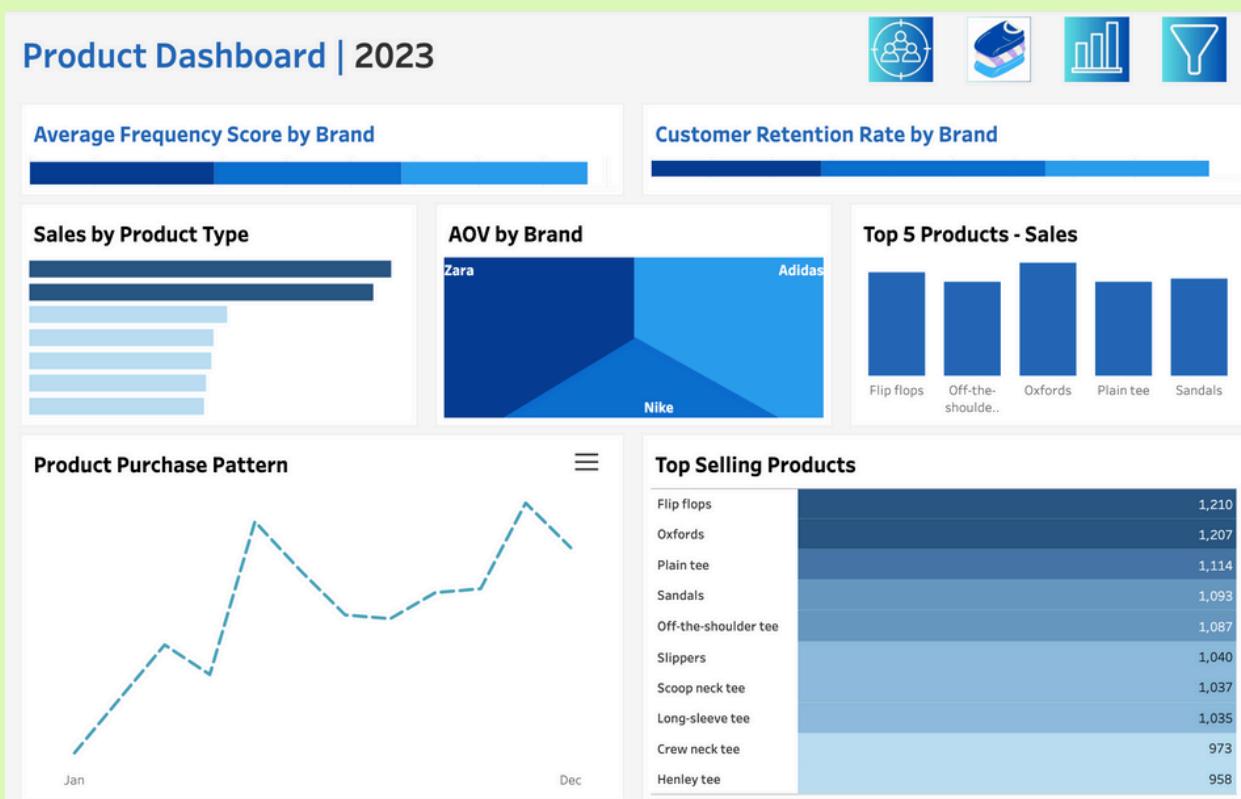
## Demographic Segmentation

This section includes detailed tables and graphs that showcase spending patterns and preferences by age, gender.

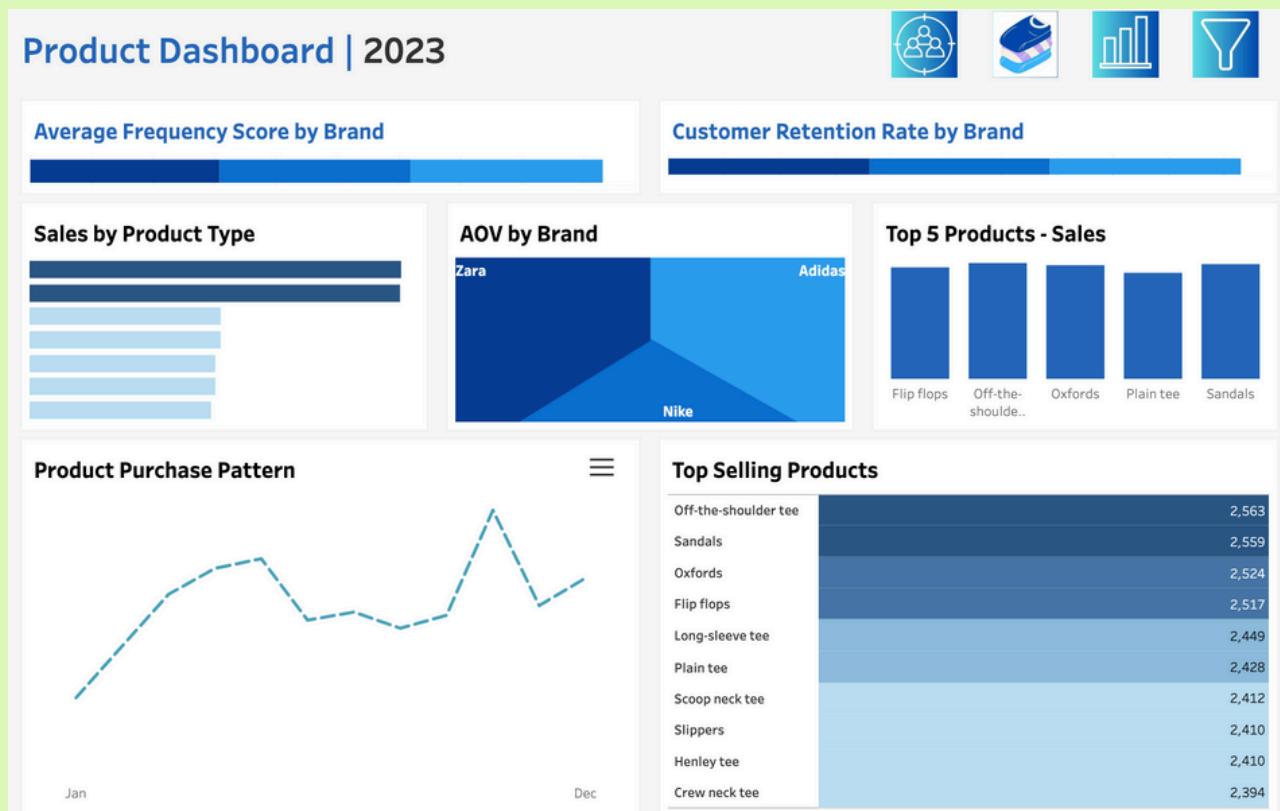
### 18-25



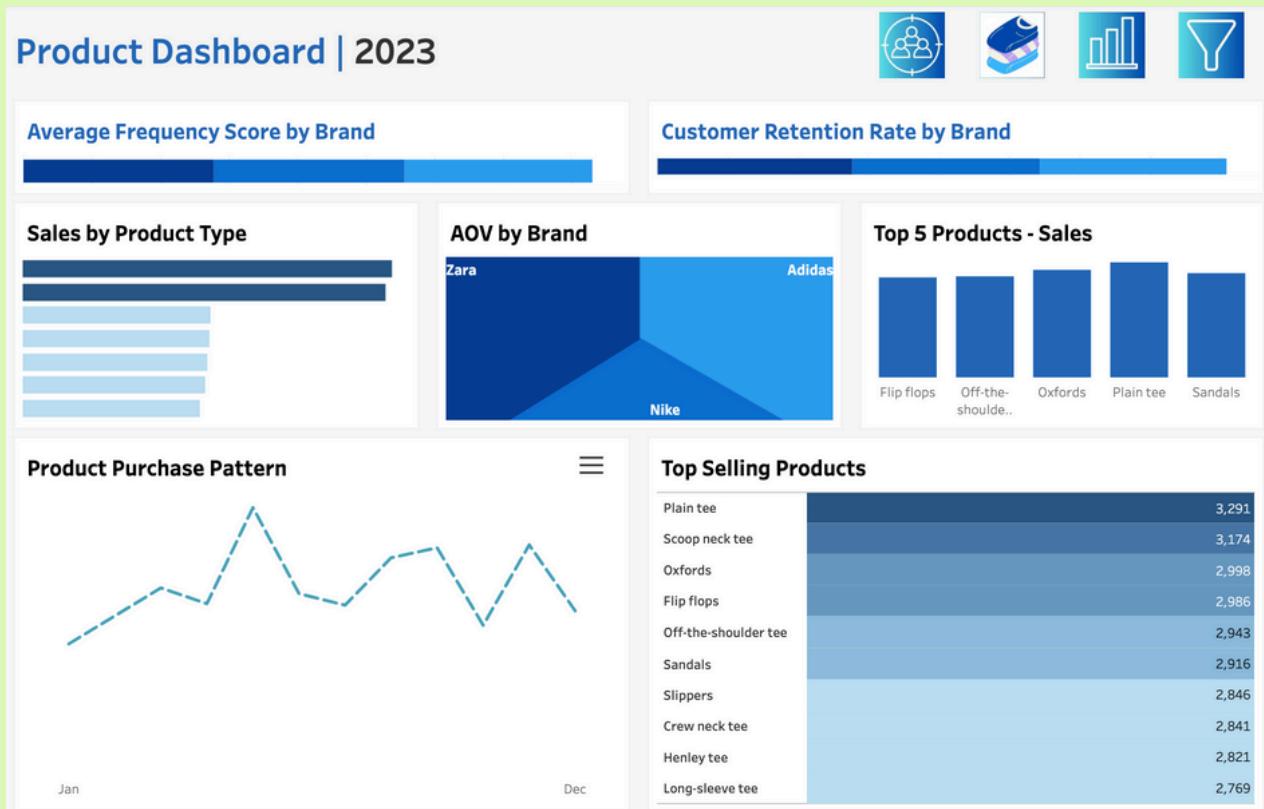
### 46-55



## Female



## Male



**Product Performance by Category:** This section includes tables showcasing sales and revenue/ purchase count for different products, including top performers filtered by income level, gender, etc.

	income character varying (10) 🔒	products character varying (50) 🔒	no_of_customers bigint	total_spending numeric	rank bigint	🔒
1	High	Flip flops	337	88837.84	1	
2	High	Espadrilles	327	85464.73	2	
3	High	Long-sleeve tee	322	84357.38	3	
4	High	Off-the-shoulder tee	337	84217.66	4	
5	High	Crew neck tee	300	83602.21	5	
6	High	Henley tee	305	80473.95	6	
7	High	Sandals	303	80063.84	7	
8	High	Sneakers	285	78130.49	8	
9	High	Plain tee	304	77976.55	9	
10	High	Slippers	298	77831.97	10	

### Top 10 Products by Spending Among High-Income Customers

### Top 10 Products by Spending Among Low-Income Customers

### Top 10 products by sales - Female

	income character varying (10) 🔒	products character varying (50) 🔒	no_of_customers bigint	purchases bigint	🔒
1	Low	Scoop neck tee		417	2310
2	Low	Henley tee		395	2123
3	Low	Oxfords		389	2152
4	Low	Raglan tee		389	2089
5	Low	Loafers		387	2020
6	Low	Plain tee		386	2071
7	Low	Sandals		386	2100
8	Low	Boots		380	2180
9	Low	Off-the-shoulder tee		375	2145
10	Low	Espadrilles		373	1966

	gender character varying (10) 🔒	products character varying (50) 🔒	total_sales numeric	rank bigint	🔒
1	Female	Off-the-shoulder tee	125567.10	1	
2	Female	Sandals	123672.47	2	
3	Female	Long-sleeve tee	123462.59	3	
4	Female	Flip flops	122488.15	4	
5	Female	Henley tee	120622.12	5	
6	Female	Crew neck tee	120244.46	6	
7	Female	Oxfords	118589.14	7	
8	Female	Sneakers	118402.02	8	
9	Female	Slippers	116825.04	9	
10	Female	Crop top	116809.29	10	

### Top 10 products by number of purchase - female

	products character varying (50) 🔒	purchases bigint	gender character varying (10) 🔒	rank bigint	🔒
1	Sandals	2668	Female		1
2	Off-the-shoulder tee	2667	Female		2
3	Long-sleeve tee	2541	Female		3
4	Plain tee	2540	Female		4
5	Slippers	2528	Female		5
6	Oxfords	2508	Female		6
7	Crew neck tee	2508	Female		6
8	Flip flops	2506	Female		7
9	High heels	2476	Female		8
10	Henley tee	2458	Female		9
11	Sneakers	2444	Female		10

### Top 5 most bought products for each income segment

	income character varying (10) 🔒	product_type character varying (50) 🔒	products character varying (50) 🔒	total_purchase bigint	rank bigint	🔒
1	High	Shoes	Flip flops	1889	1	
2	High	T-shirt	Off-the-shoulder tee	1737	2	
3	High	T-shirt	Long-sleeve tee	1714	3	
4	High	T-shirt	Plain tee	1706	4	
5	High	Shoes	Loafers	1685	5	
6	Low	T-shirt	Scoop neck tee	2310	1	
7	Low	Shoes	Boots	2180	2	
8	Low	Shoes	Oxfords	2152	3	
9	Low	T-shirt	Off-the-shoulder tee	2145	4	
10	Low	T-shirt	Henley tee	2123	5	
11	Medium	T-shirt	Plain tee	3068	1	
12	Medium	T-shirt	Long-sleeve tee	2961	2	
13	Medium	Shoes	Slippers	2927	3	
14	Medium	T-shirt	Off-the-shoulder tee	2874	4	
15	Medium	T-shirt	Crew neck tee	2869	5	

# RESOURCES/LINKS

[Link to Tableau Dashboards](#)

[Link to SQL Analysis](#)

**Resources :**

- 1.[Data with Baraa](#)
- 2.[Dashboard Color Guide](#)
- 3.[RFM Scores](#)
- 4.[Dataset](#)