

PUT “BIG DATA” TO WORK!

By Ric Anderson *Managing Partner*

“Big Data” is not only a current buzz word; it is still a relevantly new tool that has been totally underutilized! Unfortunately, I rarely find that it has been used to its full extent for the simple lack of manpower, time, or training to understand its learnings. It is only useful if one understands the questions to ask and how to effectively put the learnings from those answers to use. There are multiple methods of using this data to improve overall performance. It can be used in all areas – Merchandising, Marketing, Supply Chain, Finance, E-Commerce etc.



From a “Merchant” point of view, one of the most effective and practical tools, yet rarely used to its full extent, is the in-depth use of a “Market Basket Analysis”. This is an investigation into a Customer’s transaction with the retailer no matter the Channel. One can dramatically improve the Customer Experience, build a stronger Brand Value Proposition, and increase productivity through a deep dive analysis using this tool.

Several years ago this process was called an “Affinity Analysis”. It sheds many lights on the transaction with the Customer; the products in the transaction, the time, frequency, profitable customers etc. These are but a glimpse of the information that can be learned. In many ways the “Market Basket” should be the focal point of gathering information on the Customer, learning from it and creating innovative new ideas for improved performance in all areas. It allows you to understand which products to sell, when to have them, in what quantity and the best pricing. Going forward you have a better vision for new products, physical placement of products in the store or online, where expansion needs to take place, when to market those products, and which products to place next to others to increase the likelihood of an additional purchase. The opportunities to improve your business and brand, through this analysis are virtually endless!

Allow me to give an example of a “Market Basket Analysis” that I have used successfully in my own career. As the SVP of Merchandising for Harry & David Stores, I was charged with creating a turnaround strategy as they were not profitable at the time. Using this analysis tool, we soon realized that chocolate was the most common item in our transactions. Fortunately for us, it was also one of the most profitable! As the chocolate section was in the back left-hand side of the store, we moved it to the front right side, in accordance with the typical Customer path of moving counterclockwise through the store. We also expanded the assortment to give a much broader choice. This allowed the Customer to immediately see the product they most desired (Chocolate also happens to be the product that women are most emotionally attached) and entice them to come into the store. From the Basket Analysis, we learned that if the Customer bought chocolate then they would most likely buy salty snacks. We moved them in the Customer’s path after chocolate. If they bought salty snacks, a high percentage of shoppers would buy the salsas and dips we offered. We continued the Customer’s path and placed them after the salty snacks. There were additional learnings that helped us improve our overall productivity. Certain products, like table top and soft home, were rarely in the transaction with the other products. We reduced or eliminated these categories so that we could add assortment to our mix of products that the Customer had said “Yes” to buy. We learned that some products sold better as smaller quantities. We reduced the amount of product in the package, re-designed the packaging and were able to lower prices. Overall using the learnings from the analysis, we achieved higher frequency, sales, and profit immediately. I’m happy to be able to say that in 12 months, after our initial use of our Market Basket Analysis we were profitable!

This is a simple example of Market Basket Analysis. For additional insights and the questions that can be asked visit The Retail ThinkTank website: www.theretailthinktank.com. Sign up to receive our weekly blogs follow us on LinkedIn.

MARKET BASKET ANALYSIS:

Improve the Customer Experience and Profits using the same data!

QUESTIONS: These are but a sample of the overall questions that apply to each of the separate analysis

- Which Products or Categories show up the most times in Market Basket?
- Which Products or Categories create the most frequency of visits?
- Which Products or Categories create the most sales by different time periods?
- Which Products or Categories deliver the most GM\$
- Which Products or Categories build the strongest Loyalty?

ELEMENTS TO BE CROSS ANALYZED: Category, Class, Sub-Class with the other Products in the Basket

- Number of Transactions
- Avg. Sales per Transaction
- Avg. GM\$ per Transaction

BRAND/VENDOR ANALYSIS: Is one brand leading the charge in a specific category? Brands not adding anything but a few sales? What relationships do you need to address with your vendors to improve overall performance?

- Once specific product types are identified, which brands are most likely to be in the basket?

TIME PERIOD: Product Categories, Class, Sub-Class – these answers may change by time periods. The answers to these questions concerning time can dramatically influence product selection, inventory levels, marketing, pricing, labor and overall profit.

- Year, Quarter, Month

CUSTOMER DEMOGRAPHICS IN THE DIFFERENT MARKET BASKET ANALYSIS

- Location
- Age
- Gender
- Financial

These are but a few of the questions, learnings and tests that can come from a “Market Basket Analysis”. Contact us to help you find the full potential in your assortments and offerings.