

Retail Analytics

Importance of Customer Segmentation

September 14, 2009

Agenda

- **Goals of Strategic Customer Segmentation**
- **Classic Segmentation Model**
- **Segmentation Model Overview**
- **Store Profile Overview**

Goals of Strategic Customer Segmentation

- **Understand, Describe & Measure Customer Base**
 - Quantifiable measure of customer growth & health of business over time
- **Improved Marketing Effectiveness**
 - Ability to target and personalize messages to consumers and track impact & success over time (requires cross-channel communication management tool as well)
 - Ability to better plan and execute market-level advertisements
 - Optimize impact of Vendor promotions through improved planning and targeting
- **Moving to a more Customer Centric Organization – connecting with the consumer**
 - Improved Category Management decisions
 - Pricing
 - Store Operations & Regional Divisions

Classic Segmentation Model

- RFM (Recency, Frequency, Monetary) is common method used in segmenting which customers are most likely to buy.
 - Recency – how recently a customer has purchased
 - Frequency – how often a customer purchase
 - Monetary – how much the customer spends
- RFM analysis is based on the marketing axiom that "80% of your business comes from 20% of your customers."
- RFM has been used for more than 30 years in direct mail marketing The reasoning behind RFM was simple: people who bought once are more likely to buy again.
- Using only RFM you can over promote your best customers and miss potentially new customer who didn't rank as the best.

Segmentation models overview:
 Segmentation models allow us to evaluate business opportunities against customer needs

Segmentation	Classification	What it tells you?
DEMOGRAPHIC	<ul style="list-style-type: none"> •Paulson: Premium Explorers •Tillman: Times Starved Families • Vanberg: Value Driven Households 	Consumer (shopper and non-shopper) food preferences , shopper behaviors, meal sourcing, media consumption, etc., & ethnic component
LEVEL OF ENGAGEMENT	<ul style="list-style-type: none"> •Platinum •Gold •Silver Grow Frequency •Silver Grow Category •Bronze, •Unengaged 	How engaged customers are with our value and store proposition by measuring frequency of visits, breadth of shop across categories and total spend.
PRICE SENSITIVITY	<ul style="list-style-type: none"> •Most Price Sensitive •Price Sensitive •Price Neutral •Price Insensitive •Most Price Insensitive 	Customers price sensitivity , their attitude to price based on understanding their shopping patterns

Store Profile Overview



Thank You

