



Using Demographics to Pin Point Opportunity with New Retail Customers

**Scenario:** An industry leader in the Home Textiles world was interested in selling down comforters, traditionally a high-end product to a large mass merchant. Since the manufacturer already had a broad base of existing customers in the mid-tier and specialty store range, extensive sales data was available to work with.

**Data Source:** Sales by store for 5 other retail chains in the mid-tier, specialty and department store arena.

The first thing we did was analyze current sales by store for each chain. Using the Demographic Profiler module, we looked for common characteristics between the best selling stores of each chain. We learned that those stores are located in high average income and education areas. More specifically, where the Median Household Income was at least 10% higher and education levels were 15% than the U.S. average. Normal variations from the U.S. average are between 3-5%, so this is a significant difference.

	MEDIAN AGE	% WHITE	% AFAM	% ASIAN	% HISP	% MAR	% KIDS <18	OWN HOME	RENT HOME	% BACH DEGREE	HHOLD INCOME
Top 10%	36.0	79.5%	9.7%	3.7%	11.2%	44.8%	32.9%	65.3%	35.4%	28.1%	\$46,833
Bottom 10%	36.0	78.8%	10.3%	3.5%	12.1%	44.6%	33.4%	65.7%	35.2%	27.5%	\$46,541
AV. of All :	36.0	79.5%	9.7%	3.7%	11.2%	44.8%	32.9%	65.2%	35.4%	28.1%	\$46,817
US Average	35.0	75.1%	12.3%	3.6%	12.5%	51.7%	36.0%	66.2%	33.8%	24.4%	\$41,994

Compare the Top 10% (best performing stores) to the U.S. Average.

The next step was to extract the Demographic Profiles for all stores in the Mass chain. Once they were retrieved, stores were sorted based on Median Household Income descending. Stores falling below the point where income levels were below 10% higher than the U.S. Average were dropped off the potential distribution list. Out of 3,200 possible stores, 400 matched our preference.

We then used Microsoft Map Point to plot each of the 400 stores on a map, along with the top selling doors from other chains. On one page, the buyer has the opportunity to see how their stores line up geographically with their competitors. It also serves as a standard for other product categories the buyer might be interested in. With both a data intensive report and graphic overview of the pitch, a compelling presentation was made.

The buyer was intrigued, and had very little to lose. While we acknowledged that demographics are not 100% accurate, we were able to show how competitors in the same zip code or surrounding areas did very well with this item. We pointed out that rather than taking a blind chance on distributing a new item to stores based on volume, and not on customer preferences they had less risk. In this example, even if the test did not prove successful, markdowns would be minimized. Furthermore, we talked about developing the product based on the retailer's pricing strategy, and making it different than what we shipped to their competitors.

**Results:** The buyer agreed to a test in the 400 doors. Within the first 2 weeks, the product flew off the shelves! The item was priced right (well below competition) and customers in those high income areas appreciated the value in a high thread count and performance item. After the initial test proved successful, demographics were run again, and an additional 200 stores were found to add to the distribution. Today, it is a \$20M+ business at retail.