

MBS Uses Customer Data to Support Multi-Channel Gift Retailer's Retail Expansion and Direct Marketing Acquisition



AN MBS CASE STUDY

MARKETING SUCCESS

Background

A well known upscale gift retailer with a well developed catalog operation had an ambitious retail expansion plan that called for growth in previously untapped geographic areas.

Historically, potential expansion markets were identified by the known prevalence of customer clone demographics in the area. Using overall economic criteria, the client's real estate department conducted in-depth evaluations of those markets thought to have the greatest potential and selected the markets for expansion based on the results of these studies.

Solution

MBS believed that the availability of customer data on this retailer's marketing database allowed for a new, more scientific, approach to retail site selection. The first step in identifying the best new markets was to gain an understanding of current market penetration on a market-by-market basis.

To accomplish this, MBS used the organization's database to identify the number of customers within each market who had purchased without the benefit of a nearby store. Demographics were used to create a profile of these customers, which was compared to the general population within each market. The penetration rate of customers to clones was identified for each market.

Two types of potential retail expansion locations were recognized:

Out-of-Trade-Area Retail Expansion - locations at least 40 miles from nearest current store

In-Trade-Area Retail Expansion - locations within 40 miles of a current store

Each of these locations was analyzed in terms of number of current customers, revenue per customer, channel of purchase, home value, and income, and bench marked against the nearest store. MBS recommended markets with a relatively high penetration rate and a robust number of clones.

In addition, MBS used this methodology to identify ***Direct Marketing*** opportunities, that is markets without sufficient population to support a store but containing a core segment of customers and prospects who fit the customer profile in that market.

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Results

In all, MBS was able to identify 20 potential retail markets nationwide, along with approximately 40 direct markets worthy of additional direct focus.

This retailer's management team picked the top MBS-recommended sites for in-depth site analyses. These analyses included forecasts of potential spending in each market for 24 to 48 months post store opening. A metric was also put in place to measure the penetration growth on a quarterly basis.

The direct division of this organization used the information uncovered in MBS' solution to focus acquisition efforts around the 40 identified direct markets. Acquisition efforts were ramped up in these areas, with messaging geared towards the Web and catalog sales channels vs. retail. Vertical lists were filtered by the attributes that identified clones. The direct division was able to expand its mailing universe and gain a lift in response rate.

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