

Use Your Customer Knowledge

Customer spending by decile			
Decile	Visits per week	% Sales	Cumulative
10	1.78	43	
9	1.20	21	64
8	0.88	13	77
7	0.64	9	86
6	0.47	5	91
5	0.32	4	95
4	0.24	2	97
3	0.18	2	99
2	0.13	1	100
1	0.10	0	100
Total	0.59	100%	

This chart shows a typical consumer decile analysis. If you have an online channel, you should be able to produce this for your online customers. If you have a CRM or frequent shopper program, you should be able to see this for all your loyal customers.

This example relates to grocery, but it applies in many, if not all, segments of retailing. The only thing that really changes is the visit frequency to the stores. Loyal department store customers tend to visit 12 times a year. In other segments it's lower

This chart shows that the top 30% of customers account for 77% of company sales. Plus or minus 2% this number has been the same with every client I have worked with. The top 40% of your customers are those where your brand is their primary destination. They shop you first. The next 30% come to you when their primary choice doesn't have what they want. The last 20% only buy your special offers and you lose money on them, so don't waste time trying to attract them.

Here are some tips:

- When open to buy is limited focus it on the A items for the top 3 deciles (the top 30%). That's where you make the most profit.
- When you just don't have enough stock and you can't replenish all stores as you would like to, prioritise stock to the stores with the most primary customers. These pay full price more often and deliver the most profit.

- Produce the decile analysis by category as well as chain to see which categories most attract your best customers.
- Do a basket analysis for the primary shoppers and one for secondary shoppers. Identify the common products between the two groups and their relative rankings. Then get Marketing to design promotions most likely to appeal to your secondary shoppers (leveraging A products) with the aim of promoting secondary shoppers to primary shoppers. Make it a campaign, not a one shot wonder. Track your success at promoting secondary shoppers to primary shoppers.

