

## Leading Sporting Goods Retailer

### Driving Comp Store Growth with Database Analytics

**Summary: A top retailer turns to M Squared Group to help increase comp store growth, retain customers, and stay one step ahead of increasing competitive pressures.**

#### Overview

This client is a national sporting goods and apparel retailer with multiple locations across the United States. The company is privately owned with an estimated \$1B in annual sales revenues. Stores average 300,000 square feet and frequently include sports-related games and activities. The retail stores are designed to provide an extension of the sporting experience and include in-store demonstrations, and other activities.

**Situation: Increasing competitive pressures and inconsistent customer behavior challenges comp store growth**

*"Our focus on the customer never ends. In order to keep up with evolving retail customer behavior we need to leverage our data with the kind of clarity and speed that only M Squared Group can provide."*

*VP of Retail Marketing*

Like many major retailers, this client faced new and increasingly competitive challenges from a growing number of both on-line and "brick and mortar" competitors. Customers began to view retailers as interchangeable alternatives leading to decreases in loyalty and retention. This inconsistent customer behavior made it difficult for retailers to sustain product margins and same-store year-over-year (comp store) growth.

Marketing and management recognized that it was critical to clearly understand key factors that could influence customer behavior and create/reinforce loyalty and retention. "In an environment of evolving competitive pressures, understanding the customer is key to profitability," according to the Director of Customer Retention.

#### Solutions: Developing Comp Store Growth with Focus and Speed

This retailer enlisted M Squared Group (MSG) to analyze their customer data utilizing standard retail approaches, such as: Recency, Frequency, and Monetary Value (RFM). However, based on their knowledge of emerging competitive factors in the retail industry, MSG drove the analysis deeper. By analyzing additional customer behavior factors including product mix and vintage, demographics, psychographics, marketing history, etc. – a new and clearer picture of their true customer began to emerge. As each level of analysis created more clarity, valuable insights into emerging customer groups and behaviors were revealed.

MSG's data analysis and knowledge of the retail industry led to the identification and definition of seven key customer segments. Importantly, a previously unknown and highly profitable "best customer" segment was identified and analyzed. Previously, these best customers had only received basic customer communications with no effort made to enhance their experience. With these new insights, our client was able to more effectively redeploy marketing resources targeting these best customers to increase revenues.

## Results: Changing the Marketing Mix to Meet Behavior Change Marketing Challenges

A correlation between the percentage of their best customers and comp store growth was also identified in this effort. MSG's analysis provided the critical insight needed by our clients marketing management to justify a reallocation of marketing resources.

They began to shift part of their marketing resources from low revenue customers to these highly profitable best customers. They also were able to successfully realign their overall marketing mix to better reflect current and potential customer value. The result was a strong increase in comp store growth, revenue stability, and overall customer retention.

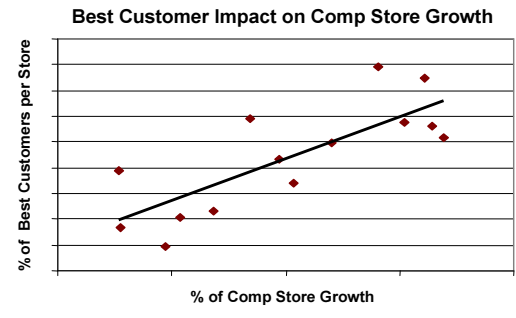
### Success Factors: Industry Insight, Boutique Service, Niche Focus, and Speed

The retailer identified several factors they felt contributed to the successful engagement with MSG. These factors are foundational principals of MSG's philosophy of work and have also been identified by other MSG clients:

- **Industry Insight:** Senior marketing management at the retailer recognized the value of quickly identifying and addressing shifts in customer dynamics. Through intense analytics, MSG validated anecdotal evidence of changing customer patterns revealing valuable insights into emergent customer behaviors. Based on these insights, our client adjusted their marketing mix to maximize customer revenue.
- **Boutique Service:** The client's access to MSG's senior management 24/7 (and yes, that means weekends) was important. The retail industry focuses on weekend activity and MSG's acceptance and understanding of that unique dynamic facilitated timely communications.

*"Top retailers are no longer using old - spray and pray - direct mail models. Instead, they are using fast and targeted direct mail based on intelligent customer segmentation. We chose M Squared Group, in part, because their team is lightening fast at providing that deep level of custom data driven marketing."*

VP of Retail Marketing



M Squared Group's database analytics demonstrated a clear correlation between "best customers" and comp store growth potential. As a result, the retailer created a special loyalty program event for these best customers that resulted in same-store year-over-year growth of over 40%.

- **Iterative, Action-oriented Approach:** MSG focused on repeated analytical "dives" into the retailer's customer data, with each dive increasing the overall "intelligence curve" of the analytics. Initial insights were used to dive deeper and at different angles, which exposed more focused and actionable customer insights for our client's marketing department.
- **Speed:** Increasing competitive forces make retail customers more difficult than ever to retain and understand. MSG's fast turn-around on customer data was key to ensuring the results would be relevant.