

CASE STUDY

PRODUCT AFFINITY

CLIENT SITUATION

A leading US based retailer, hungry for efficient top line growth, signed up Impact Analytics (IA) to assess their product portfolio and ongoing sales strategies

An important part of the mandate was to identify complimentary product categories and to recommend a data-driven blueprint for the future

THE SOLUTION

- IA decided to introduce the client to a modelling technique called the **Market Basket Analysis** (also a form of Product affinity analysis)
- Essentially, this is a statistical approach in retail analytics that discovers the combinations of products co-occurring during retail transactions

At the onset, we collated, cleaned & analyzed three prior years of transaction data

We studied this data to identify trends for affinity effects and associated net margin impact

Next, a statistical model found relationships between purchases and then delineated interactions between product categories

Using Support, Confidence, and Lift, the team was able to deduct conclusively which items were likely to sell together

The results of this data mining activity became the basis for the client's sales plans for the forthcoming years. Our team drafted recommendations and set forth immediate interventions, some of which were as follows: -

The revision of in-store planograms: associated products/categories were re-organized and placed nearby to drive sales.

A product recommendation engine was created for in-store associates.

The ecommerce site was revamped to include a section on "Recommended Products".

Combo offers and product coupons were developed to drive sales of low-selling products by combining them with high-selling products.



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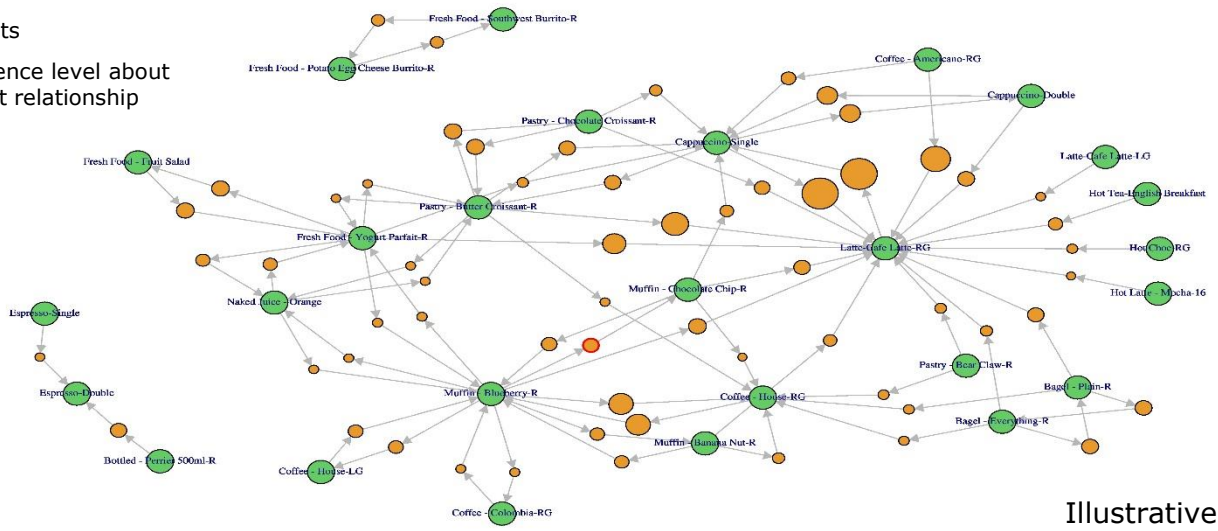
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● Products

● Confidence level about product relationship



Illustrative

Determining the relationship between various products

- Additionally, unviable promos were discontinued
- Inventory was optimized and stock-outs, both, in-store and online, were reduced
- We customized the Impact Analytics Decision Support Tool for the client, allowing category managers a view into upcoming promos, sales, and inventory planning
- Our recommendations led to visible improvements across all marketing analytics and product categories.

\$ 2 MILLION SAVED IN MARGINS

The above steps had a far-reaching impact. Financially, our client saved an estimated USD 2 Million on the margins



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