



# Business Tips

## Unlocking Store Genetics

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### Targeting Wal-Mart's Core Customer Segments

Although a concept explored by the company since the mid-90s, Wal-Mart's company wide transition from a "cookie-cutter" store methodology to one that individualizes assortments for local conditions could be traced to its Store of the Community (SOTC) initiative, announced in early 2006. The stated objective, "really trying to understand the customer," was clearly more than just lip service. Consider that, under the plan, all store managers submit yearly surveys detailing distinctive local tastes and habits, such as the regulation size of local Little League softballs, when hunting season begins or the proximity of community hospitals.

As part of SOTC, Wal-Mart originally set its segmentation strategy based on **six demographic groups**:

- African-Americans
- Empty-Nesters
- Hispanics
- Affluent
- Rural Residents
- Suburbanites

...And as richer data evolved, so did segmentation strategies. Piggy-backing on the original six core groups, now attitudinal shopper insights have focused on **three core consumer groups**:

- Brand Aspirationalists
- Value-Price Shoppers
- Price-Sensitive Affluents

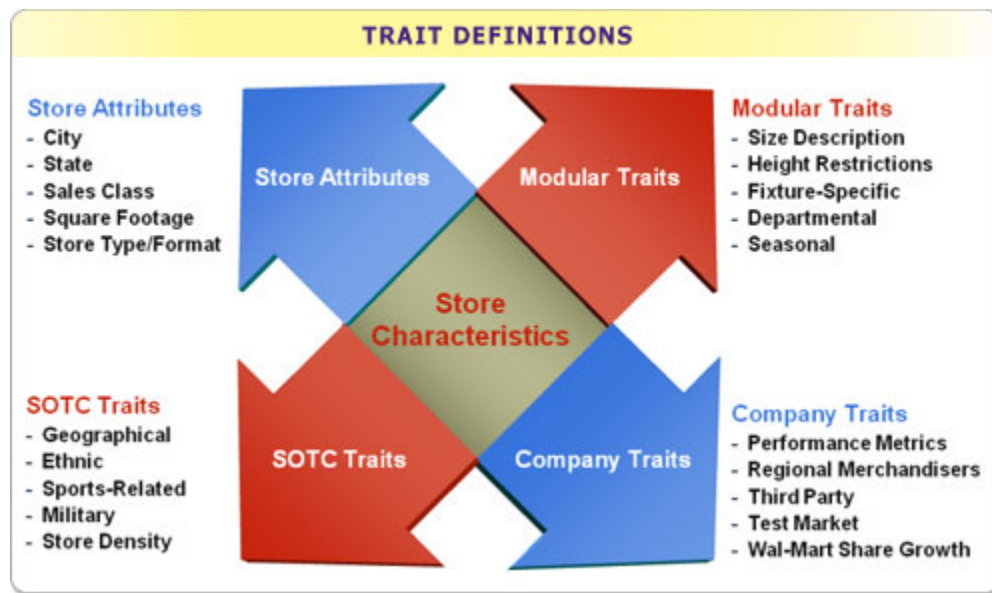
Wal-Mart defines each consumer group in terms of their needs and desires (Who); their actual shopping behavior (What); and their most likely markets (Where). It's easy to see the upside potential in combining this knowledge with the extensive Retail Link™ point-of-sale data the company provides its suppliers. By using an approach that syncs up with Wal-Mart's SOTC initiative, a supplier could, in theory, individualize its category assortments right down to individual Wal-Mart store levels with a high degree of customer-centricity.

And Wal-Mart suppliers are rising to the challenge. That means, in essence, to remain competitive and valued by Wal-Mart, companies have little choice but to incorporate insights from Retail Link data into their merchandising schemes, along with third sources providing such dimensions as weather forecasts and local market characteristics.

That's a tall order and it presents suppliers with a dilemma: in order to manage that information, they must either increase their head count of data analysts or find a smarter way of working with the data. And given the competitive pressure to keep costs in line, the latter seems to be the way to go.

An overview of how the process is accomplished is offered in the free webinar series, **Working Smarter with Retail Link™ Data**, presented by Wal-Mart specialists, Shiloh Technologies. ([Click to register...](#))

According to Shiloh, category analysts are comfortable using Excel and Access to manipulate and draw insights from data, but they soon learn that the complexity of working with these numerous data sources, the sheer volume of information, and need for timely updates makes "manual" methods virtually impossible. Automation that routinely processes data overnight and sends reports and alerts to analysts on a just-in-time basis is becoming essential to today's Wal-Mart supplier.



Outside of daily data loads, drillable reporting, and exception alerts, the core section of Shiloh's analysis modules rests on the leveraging of "Store Traits", or store characteristics, broken down into Store Attributes, SOTC Traits, Modular Traits and Company Traits. With this data in manageable form, suppliers are able to create a unique profile for each store that Shiloh likens to a "thumbprint", and that specificity can even be taken down to the SKU level.

The process, which Shiloh calls Unlocking Store Genetics™ positions these thumbprints alongside POS and replenishment data to create the kind of unique store-level customization that Wal-Mart is expecting from its category leading suppliers.

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