GIS Tutorial for Marketing

Chapter 4

**Planning a
Merchandising Strategy**

Marketing scenario

Meiers Home Furnishings:

- A Chicago-based retailer selling value-priced furniture to middle-income markets
- Has enjoyed significant success in its original store at the Lombard Street location
- Opened second store on Pulaski Street based on market-area demographic similarity to Lombard store
- Has experienced disappointing sales at Pulaski location after three years
- Wishes to learn why sales levels differ so greatly from stores with similar market areas

Learning objectives

To design a merchandising strategy that is responsive to the market area of the struggling store, you will learn how to use ArcGIS to:

- Create maps displaying population demographics and characteristics of the competitive environment
- Define market areas for the two Meiers stores
- Compare the demographic patterns and dominant Community Tapestry segments of the market areas
- Analyze the values and purchasing patterns of the dominant segments using Market Potential Indexes
- Customize the merchandising strategy of the Meiers store on Pulaski to the lifestyle, values, and purchasing patterns of its market area
- Design maps to communicate and support your merchandising strategy recommendation

Exercise 4.1: Explore demographics and competition in Chicago

In this exercise you will:

- Display maps of the Chicago area and its major roads
- Display the distribution of demographic characteristics across the area's census tracts
- Display the location and size of Chicago's furniture stores and shopping centers
- Display the locations and sales levels of the two Meiers stores

# Meiers stores, competitors, and area demographics
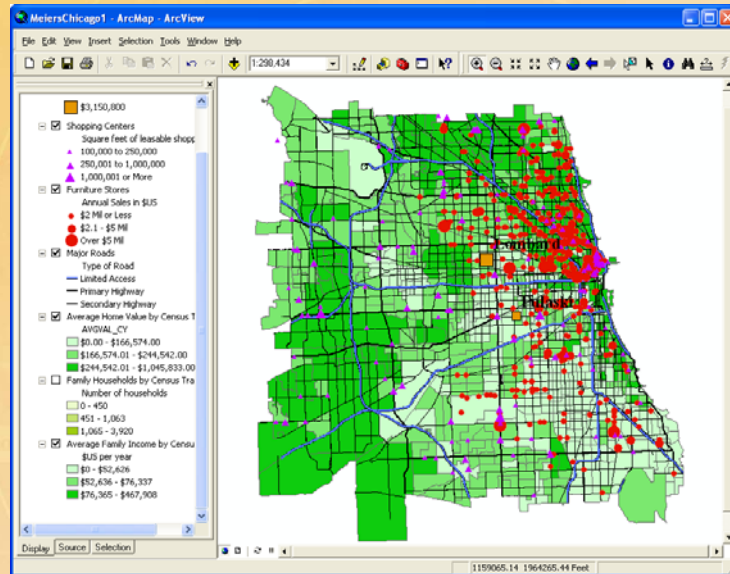
Exercise 4.2: Analyze market area demographic and Community Tapestry characteristics

In this exercise you will:

• Define and display a simple one-mile ring market area for each store

• Compare the demographic and socioeconomic characteristics of the two market areas

• Compare the Community Tapestry composition of the two market areas

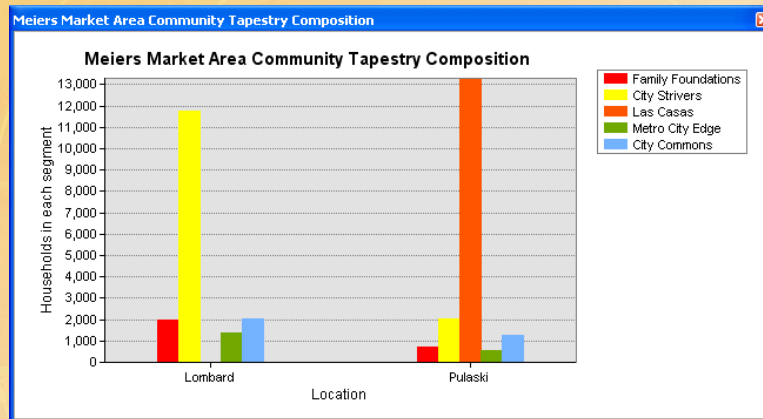# Market areas characteristics

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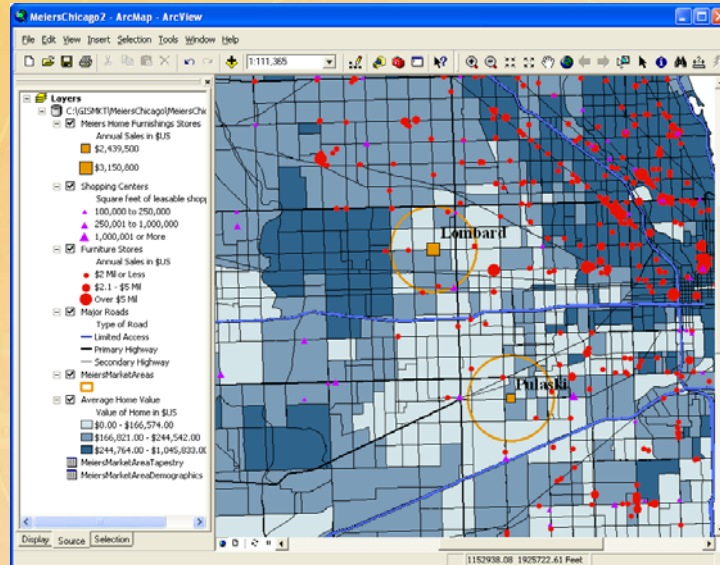
Exercise 4.3: Identify and compare dominant Community Tapestry segments

In this exercise you will:

- Design a graph of the Community Tapestry composition of the two market areas
- Compare the profiles of the dominant Community Tapestry segments in each market area

Tapestry composition

Meiers Market Area Community Tapestry Composition

Meiers Market Area Community Tapestry Composition

Legend:
- Family Foundations
- City Strivers
- Las Casas
- Metro City Edge
- City Commons

Y-axis: Households in each segment (0 – 13,000)
X-axis: Location (Lombard, Pulaski)

Tapestry segment profiles

City Strivers

Segment Number & Name	45 City Strivers
LifeMode Group	L3 Metropolis
Urbanization Group	U2 Principal Urban Centers II
Household Type	Family Mix
Median Age	32.1 Years
Income	Lower Middle
Employment	Prof/Mgmt/Svc
Education	No HS Diploma; HS Grad
Residential	Multiunit Rental
Race/Ethnicity	Black
Preferences	Play tennis, basketball
	Have personal education loan
	Go dancing, attend dance performances
	Watch syndicated TV shows
	Leased last vehicle

Las Casas

Segment Number & Name	47 Las Casas
LifeMode Group	L8 Global Roots
Urbanization Group	U2 Principal Urban Centers II
Household Type	Family Mix
Median Age	25.4 Years
Income	Lower Middle
Employment	Skilled/Services
Education	No HS Diploma
Residential	Mixed
Race/Ethnicity	White; Hispanic
Preferences	Buy children's products
	Use federal savings bank
	Play soccer and attend soccer games
	Listen to Hispanic radio
	Paid cash for last vehicle

Exercise 4.4: Analyze buying behavior with Market Potential Indexes

In this exercise you will:

- Design a data table to display the dominant Community Tapestry segments and their Market Potential Indexes

- Assess the different furniture buying patterns of the two dominant Community Tapestry segments

- Recommend revisions in marketing strategy for the Meiers store on Pulaski in response to these patterns

Furniture MPIs of Tapestry segments

Attributes of MarketPotentialIndexes

OBJECTID_12'	Furniture Buying Behavior	Family Foundations	City Strivers	Las Casas	Metro City Edge	City Commons
1	Purchased table setting in last 12 months	95	104	23	85	92
2	Purchased curtains in last 12 months	86	160	79	168	102
3	Purchased draperies in last 12 months	115	99	63	119	74
4	Purchased mattress in last 12 months	77	116	70	94	110
5	Purchased cooking/serving in last 12 months	74	108	54	82	75
6	Purchased wall-to-wall carpet in last 12 months	126	74	41	128	104
7	Purchased wall unit/wall system in last 12 mont	85	187	48	108	126
8	Purchased dining room furniture in last 12 mont	75	141	85	152	126
9	Purchased kitchen furniture in last 12 months	94	158	116	137	231
10	Purchased lawn/porch furniture in last 12 month	88	54	36	55	112
11	Purchased table/floor lamp in last 12 months	61	66	65	115	107
12	Purchased home office furniture in last 12 mont	78	78	103	93	100
13	Purchased recliner in last 12 months	122	71	47	125	100
14	Purchased area rug in last 12 months	79	78	73	88	104

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Exercise 4.5: Communicate and support your recommendations

In this exercise you will:

- Summarize your conclusions about the demographic, Community Tapestry, and market potential comparisons of the Lombard and Pulaski market areas

- Summarize your recommended marketing strategy adjustments for the Pulaski store

- Explain how your recommendations will improve customer satisfaction and sales at the Pulaski store

- Design a supporting map

Market areas and Tapestry characteristics

Community Tapestry Composition for Meiers Stores
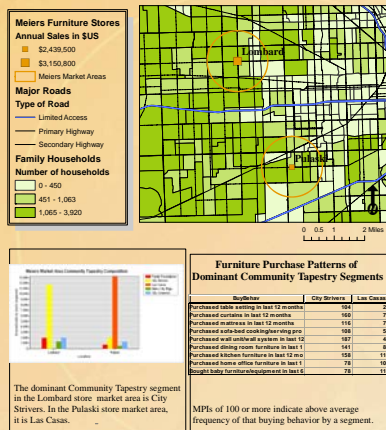
Additional applications

Lifestyle segmentation tools are used to:

- Analyze specific markets (e.g., furniture) or buying patterns (e.g., Internet shopping)
- Define target markets for products and services
- Understand the lifestyles and behaviors of existing customers
- Prospect for new customers

Additional applications

When the Community Tapestry system is coupled with ESRI Business Analyst, marketers can:

- Understand the lifestyles and values of existing customers
- Use MPI information to identify
  - purchasing behaviors for specific products
  - media exposure patterns
  - customer interests, values, and leisure activities
- Identify attractive expansion locations based on the dominant Community Tapestry segments in their vicinity