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
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

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

**Tapestry segment profiles**

**City Strivers**
- Segment Number & Name: 45 City Strivers
- LifeStage Group: L3 Metropolis
- Urbanization Group: U2 Principal Urban Centers II
- Household Type: Family Mix
- Median Age: 32.1 Years
- Income: Lower Middle
- Employment: Post High School, HS Grad
- Education: No HS Diploma, HS Grad
- Residential: Multi Unit Rental
- Race/Ethnicity: Black
- Preferences: Play tennis, basketball, have personal education loan, go dancing, attend dance performances, watch syndicated TV shows, lease last vehicle

**Las Casas**
- Segment Number & Name: 47 Las Casas
- LifeStage Group: L3 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: Mid
- Race/Ethnicity: White, Hispanic
- Preferences: Buy children's products, use federal savings bank, play soccer and attend soccer games, listen to Hispanic radio, used 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
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

<table>
<thead>
<tr>
<th>Market Areas</th>
<th>Annual Sales in $US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lombard</td>
<td>$2,439,500</td>
</tr>
<tr>
<td>Pulaski</td>
<td>$3,150,800</td>
</tr>
</tbody>
</table>

Meiers Market Areas

<table>
<thead>
<tr>
<th>Major Roads</th>
<th>Type of Road</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Access</td>
<td>Primary Highway</td>
</tr>
<tr>
<td>Secondary Highway</td>
<td>Family Households</td>
</tr>
<tr>
<td>Number of Households</td>
<td></td>
</tr>
<tr>
<td>0 - 450</td>
<td>451 - 1,063</td>
</tr>
<tr>
<td>1,065 - 3,920</td>
<td></td>
</tr>
</tbody>
</table>

Furniture Purchase Patterns of Dominant Community Tapestry segments

<table>
<thead>
<tr>
<th>City Strivers</th>
<th>Las Casas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased table setting in last 12 months</td>
<td>104</td>
</tr>
<tr>
<td>Purchased curtains in last 12 months</td>
<td>160</td>
</tr>
<tr>
<td>Purchased mattress in last 12 months</td>
<td>116</td>
</tr>
<tr>
<td>Purchased sofa-bed cooking/serving pro</td>
<td>108</td>
</tr>
<tr>
<td>Purchased wall unit/wall system in last 12 months</td>
<td>187</td>
</tr>
<tr>
<td>Purchased dining room furniture in last 12 months</td>
<td>141</td>
</tr>
<tr>
<td>Purchased kitchen furniture in last 12 months</td>
<td>158</td>
</tr>
<tr>
<td>Purchased home office furniture in last 12 months</td>
<td>78</td>
</tr>
<tr>
<td>Bought baby furniture/equipment in last 6 months</td>
<td>78</td>
</tr>
</tbody>
</table>

Sources:
- ESRI Community Data, 2005
- Mediamark Research Inc., Doublebase, 2004
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

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