



MARKETING MIX ANALYTICS FOR  
MILLENNIALS AGE SEGMENT (25-34)  
MAJOR DEPARTMENT STORE

CASE STUDY





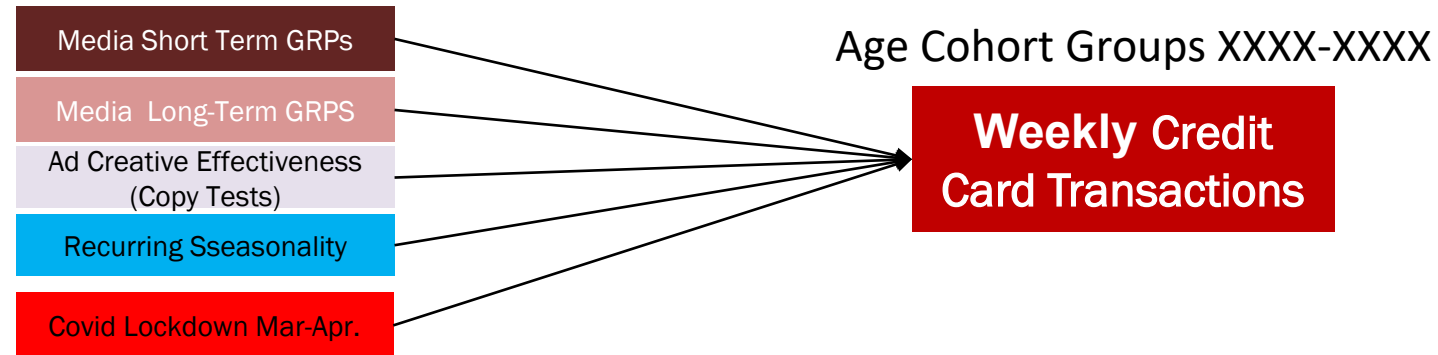
## SITUATION

- The Major Department Stores' strategy is to increase its sales and market share among Millennial's
- The Marketing & Research Team is interested in understanding how marketing and advertising measurement can be leveraged to attain this critical company objective.



# MODEL & ARCHITECTURE

- Bottom-Line Analytics (BLA) constructed a predictive marketing model which will measure the impact of both short-and long-term effects of the Major Dept. Stores’ advertising and the additional impact from the creative advertising message on consumer sales among Millennial shoppers
- BLA believes this is breakthrough analytics because most marketing-mix models only measure the short-term effect of advertising and make no effort to measure the impact of ad creative or the long-term effect of media.



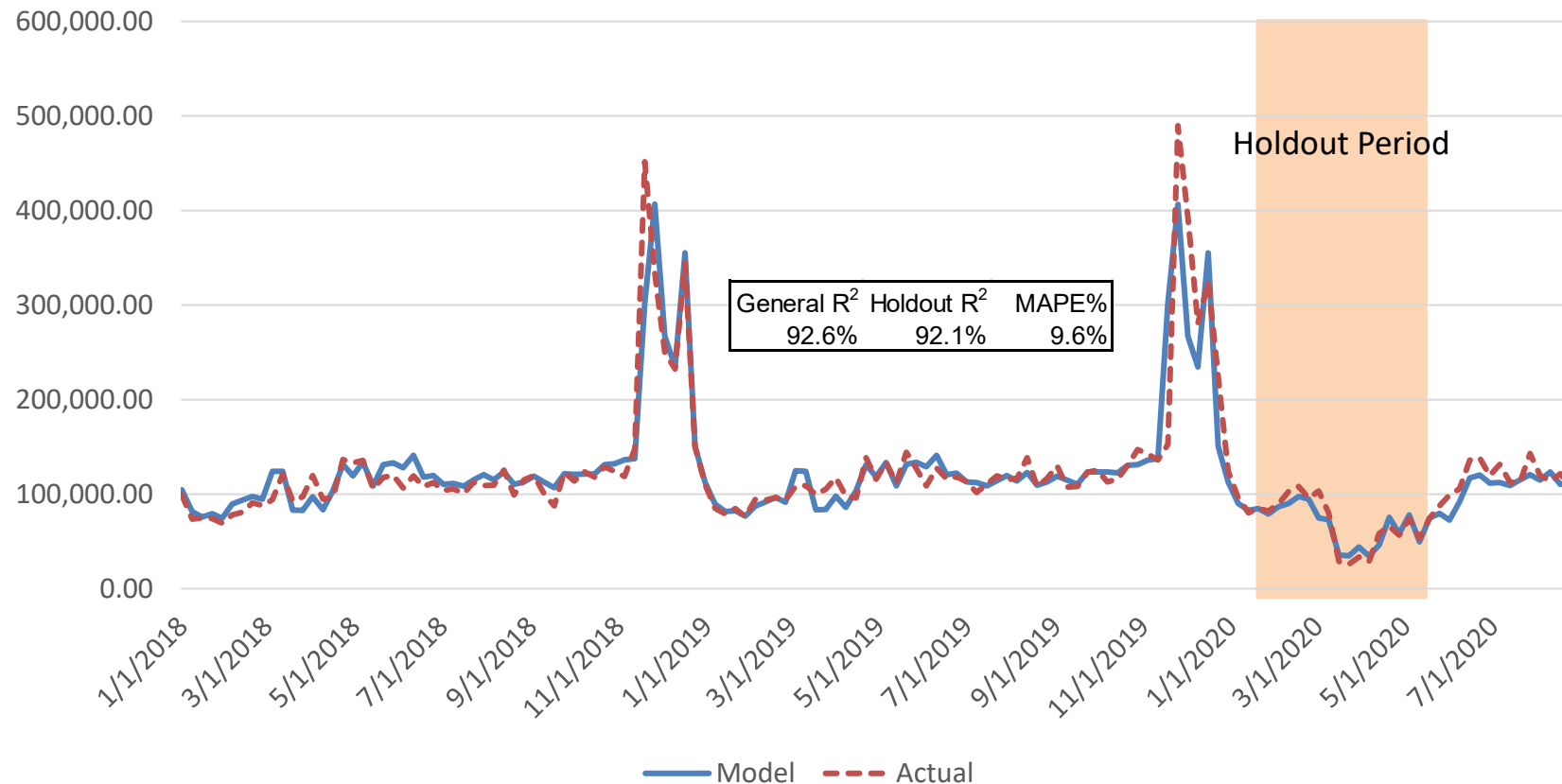
## THE TERMINOLOGY & DATA

- BLA looks at and measures advertising in three distinct stages. When marketers advertise, there is an immediate increase in sales due to the acquisition of a new customer or an incentive to buy more from an existing customer. That is called the short-term effect. However, advertising also involves building loyalty over time resulting in repeat sales from every acquired customer. Good advertising will build a longer-term momentum for brands. This is what we call the long-term effect of advertising. Finally, every ad that is run has a commercial message and different messages affect sales differently. Measuring the impact of ad creative is an additional effect from advertising.
- We used two important data sources for this modeling exercise.
  - Our sales data were credit-card purchase transactions & came from a company called **Affinity Solutions** & facilitated by its partner company **Iridescent Data**
  - In this model we looked at 2095 Genesis advertising copy tests from a company called **Advertising Benchmark Index**, who does more advertising testing than any other company.

# VALIDATING THE MODEL

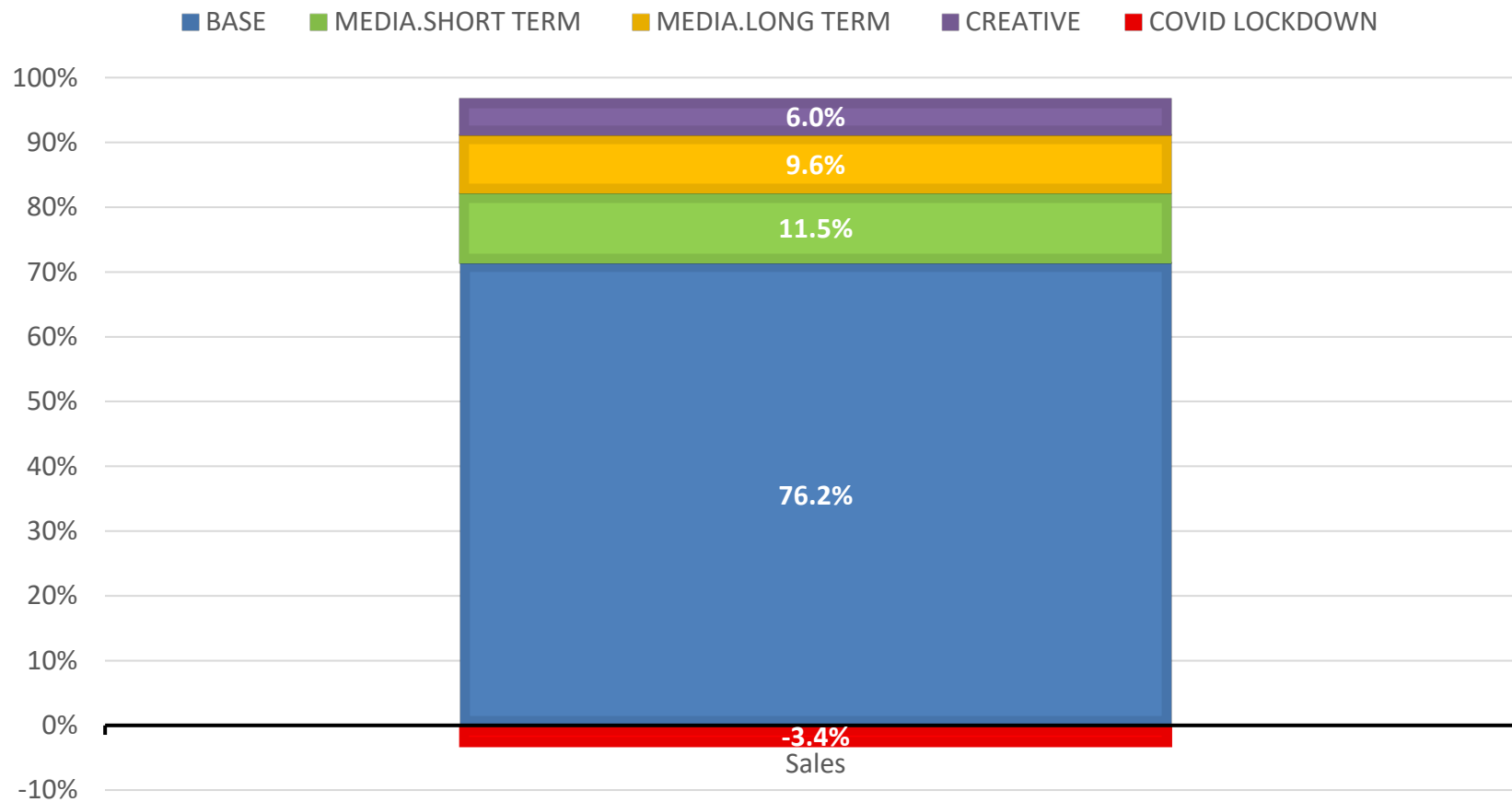
This model explains sales well and has a good ability to predict.

Major Dept. Stores' Millennial Sales & Model



# VALUE OF MEDIA: DECOMPOSING SALES FOR MILLENNIAL'S

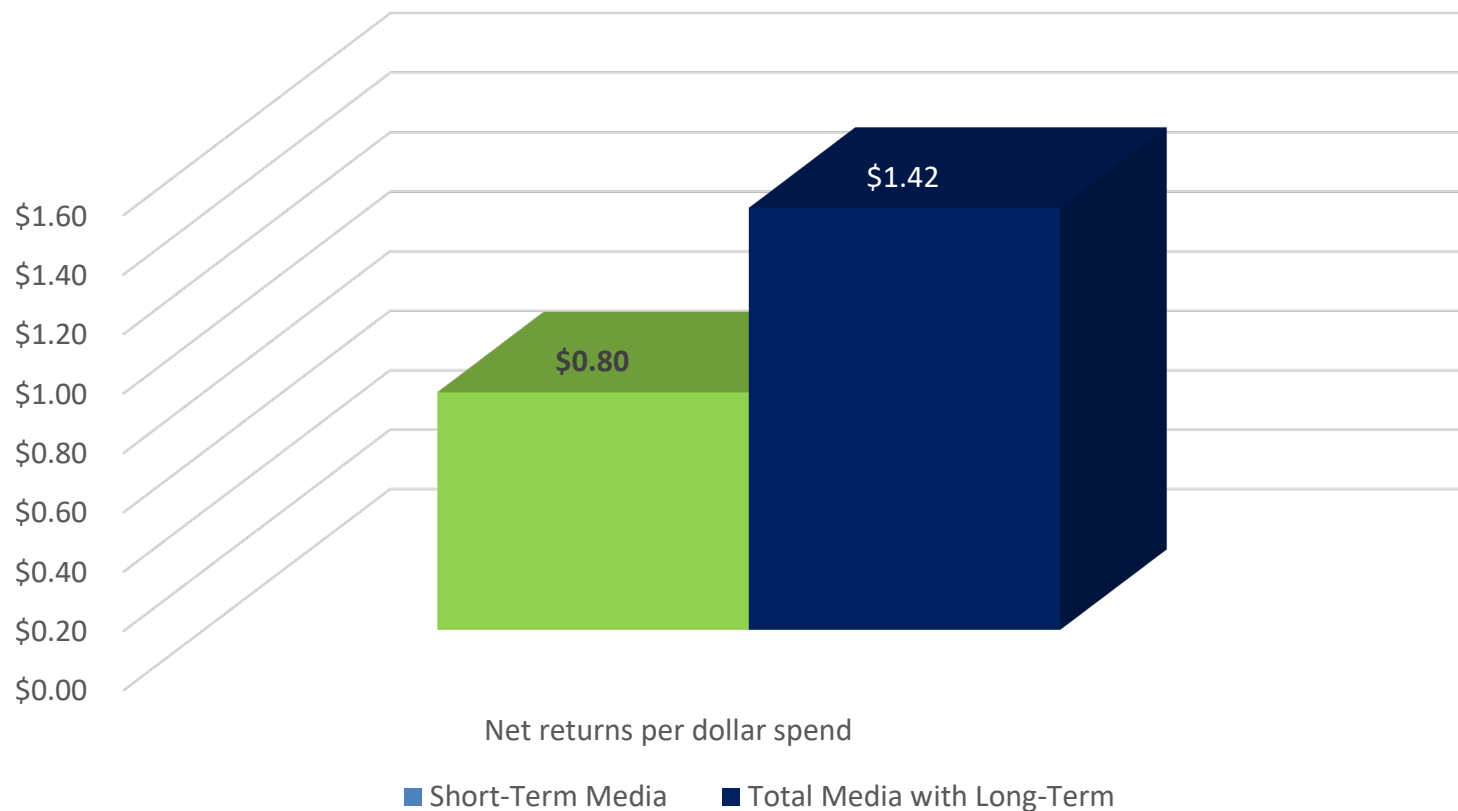
27% of Sales to Millennial's is Incremental Due to Advertising: Short-Term Media contributes 11.5%, Long-Term Media 9.5% and Media Creative 6%. The Covid Lockdown had a -3.5% impact.



# MEDIA RETURN ON INVESTMENT

For this retailer, when including long-term ad effects, the returns to advertising turn Positive & Profitable

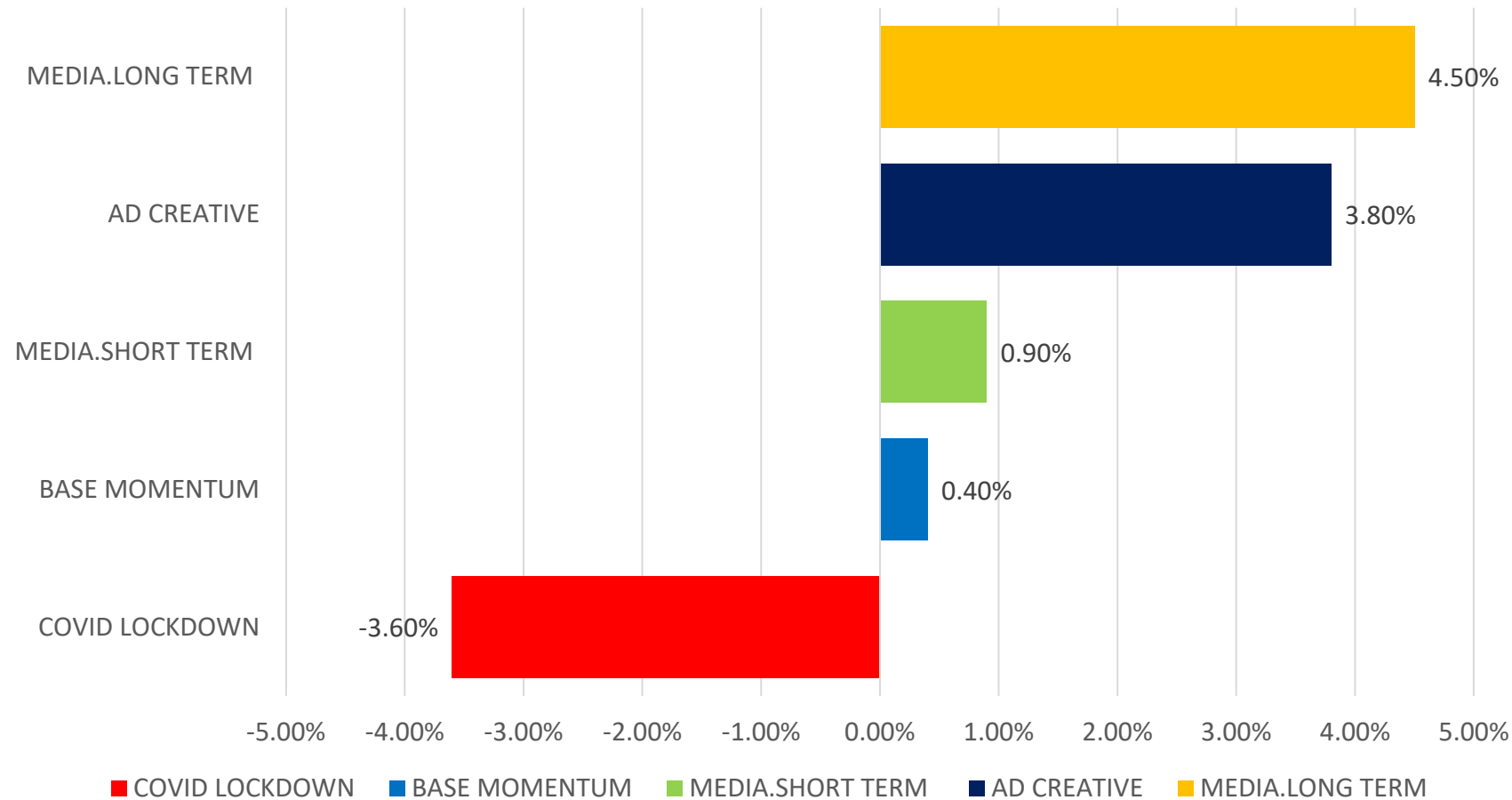
Net Financial Returns per Dollar Spend





# MILLENNIAL'S ANNUAL MARKETING VARIANCE

Ad Creative & Long-Term Media were the predominant drivers of Major Dept. Stores' 6% annual sales gain among Millennial's.

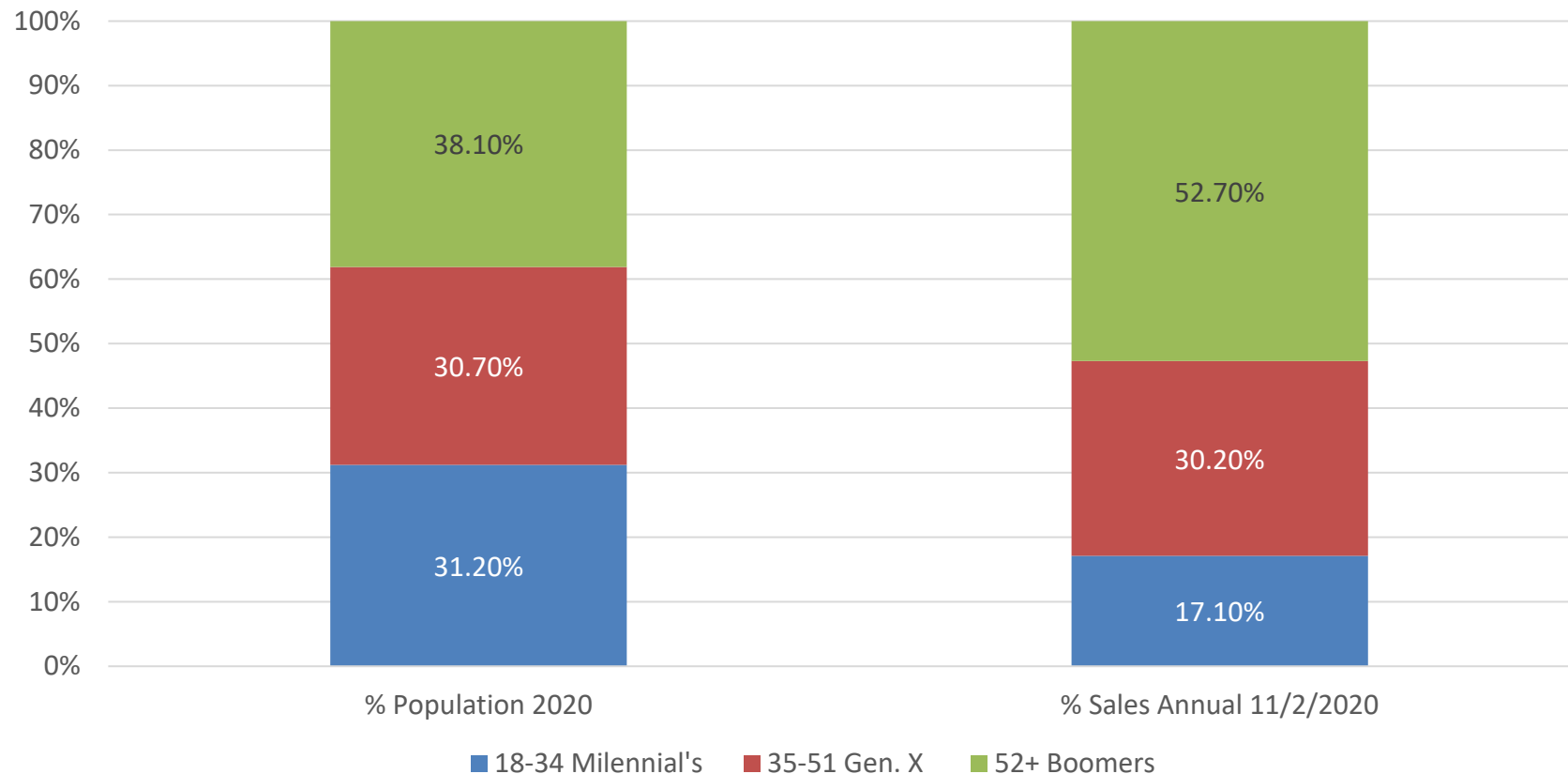




## SALES V. POPULATION BY AGE COHORT FOR MAJOR DEPT. STORES

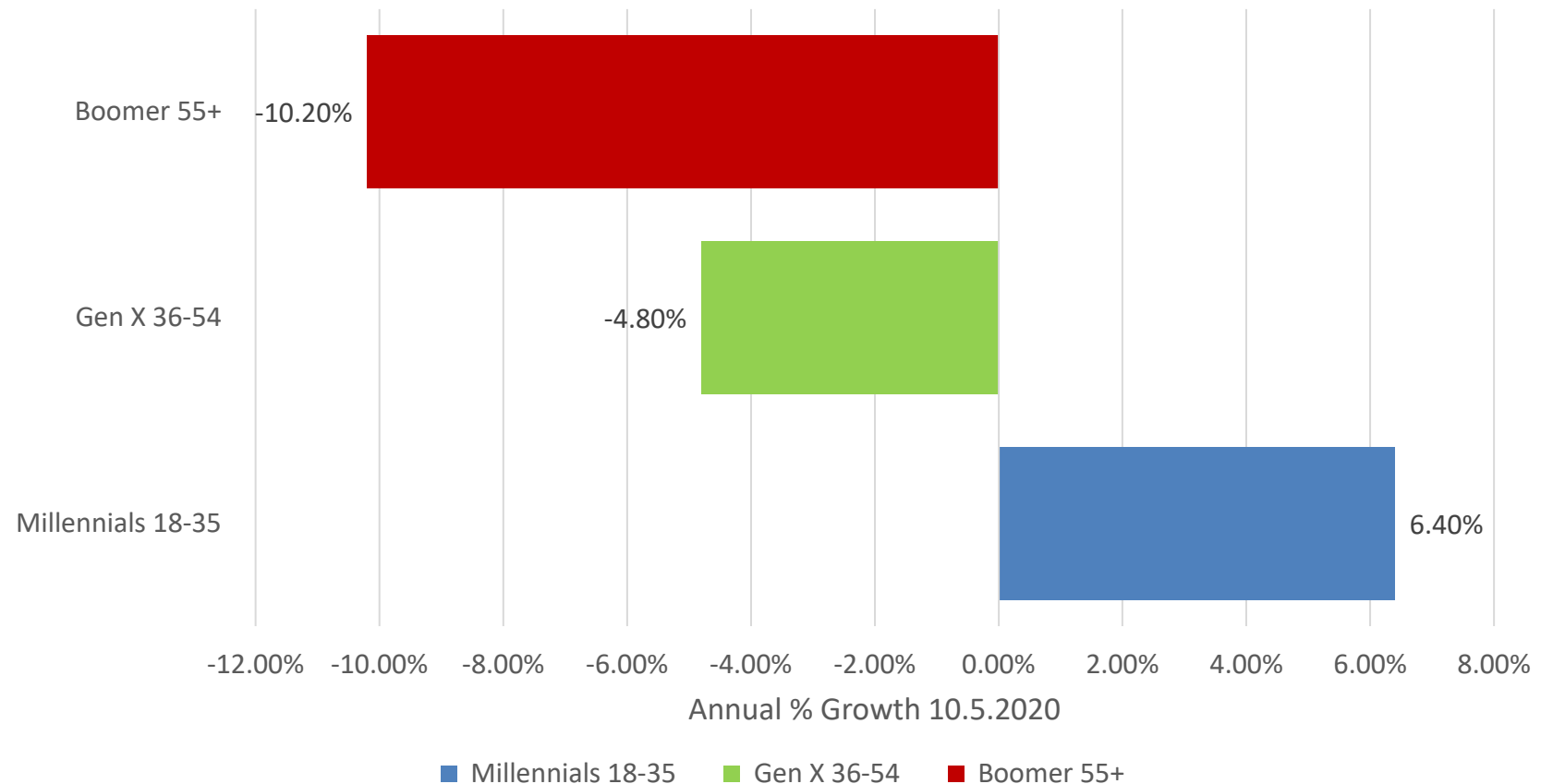
Major Department Store and department stores, in general, are seriously under-developed with respect to sales to the Millennial Age-Group. This poses a big challenge. It makes strategic sense to go after this large segment of customers.

Major Dept. Stores' Customer Sales v. Population



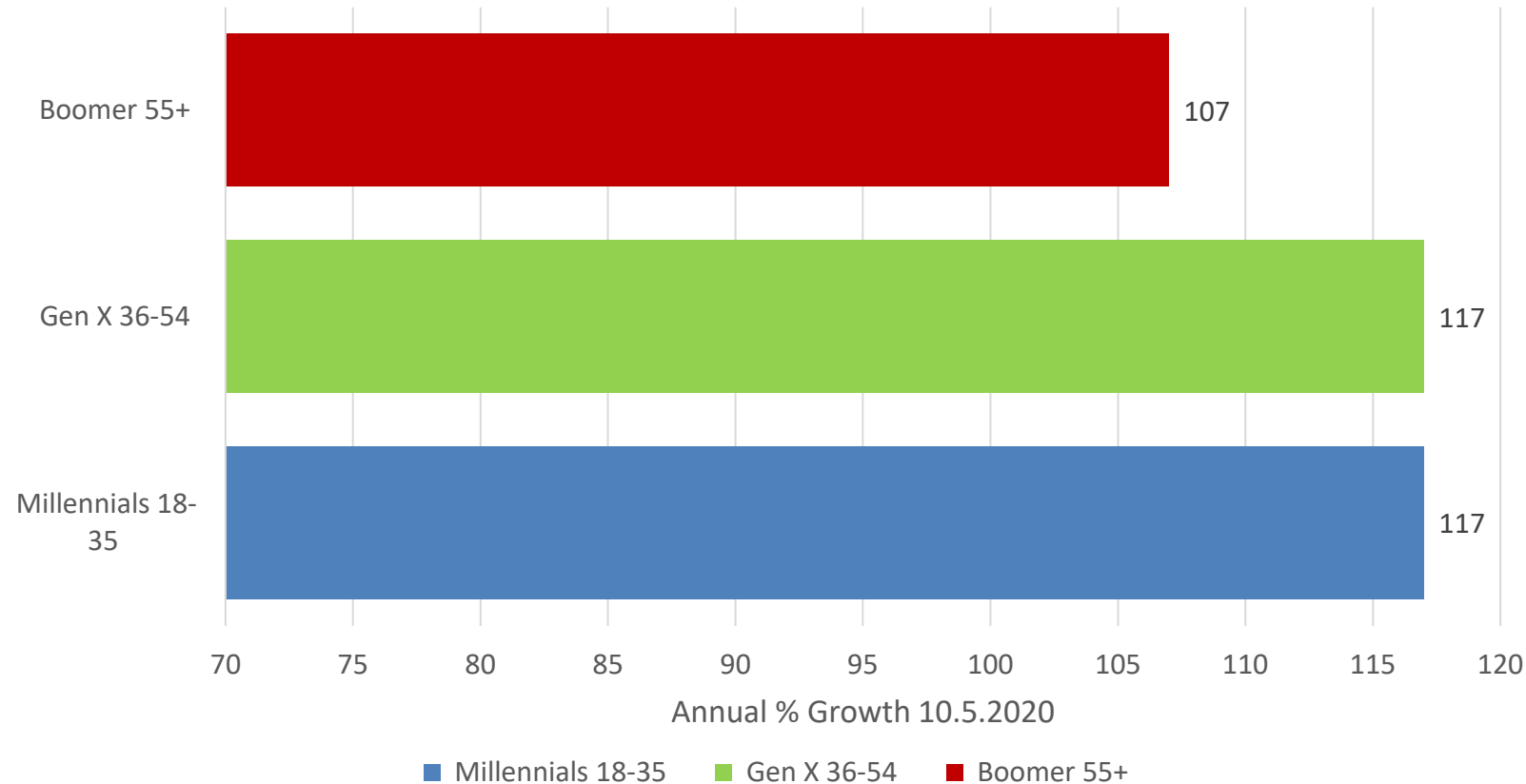
# MAJOR DEPT. STORES: ANNUAL SALES GROWTH BY AGE GROUP

Millennial's show strength while other groups are declining. This growth was insufficient to compensate for declines in other age groups.



# MAJOR DEPT. STORES: ANNUAL AVERAGE MEDIA COPY EFFECTIVENESS SCORES BY AGE GROUP

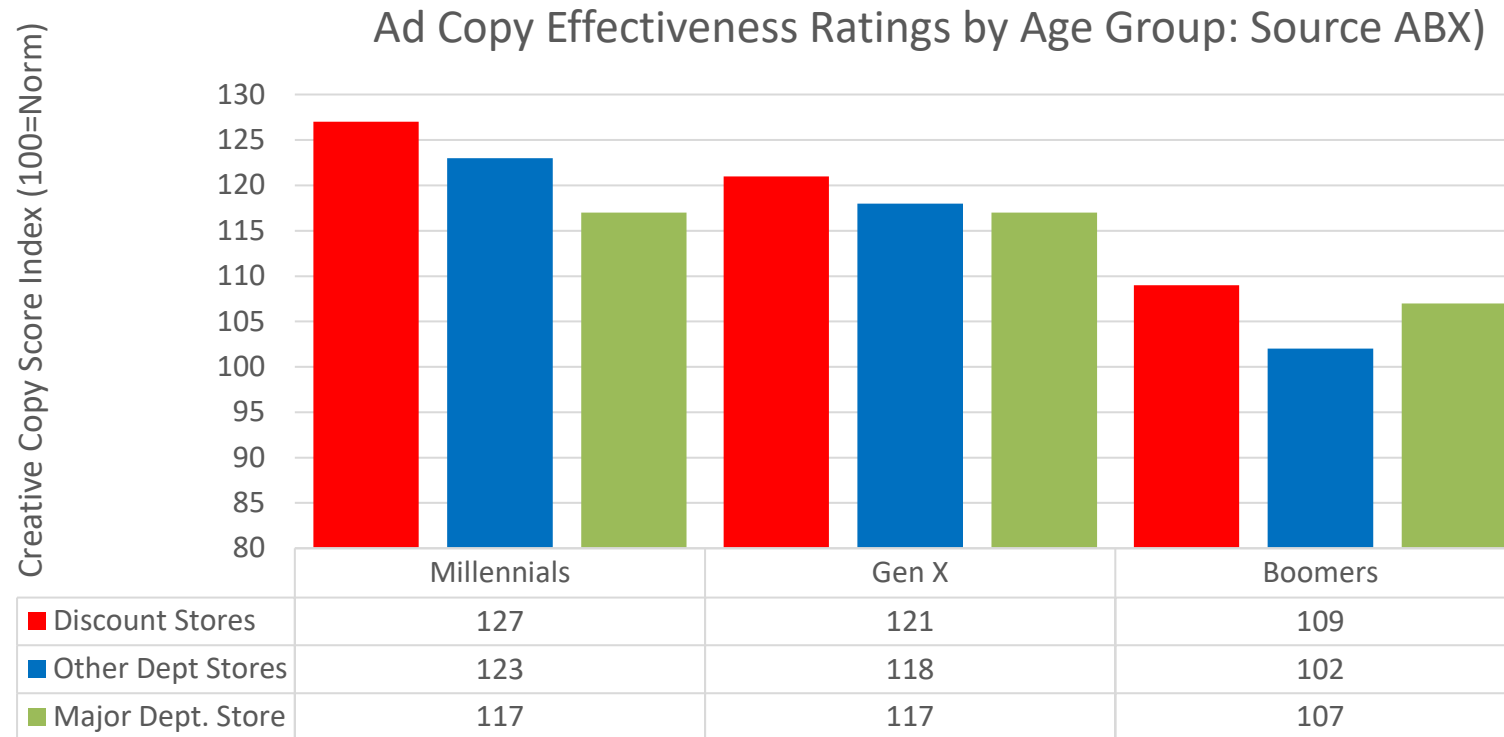
The media message plays well with Millennial's and Gen X Customers, but not with the older Boomer Segment.





# GENESIS DEPT. STORES' ADS UNDER-PERFORM AMONG MILLENNIALS AND GEN. X CUSTOMERS

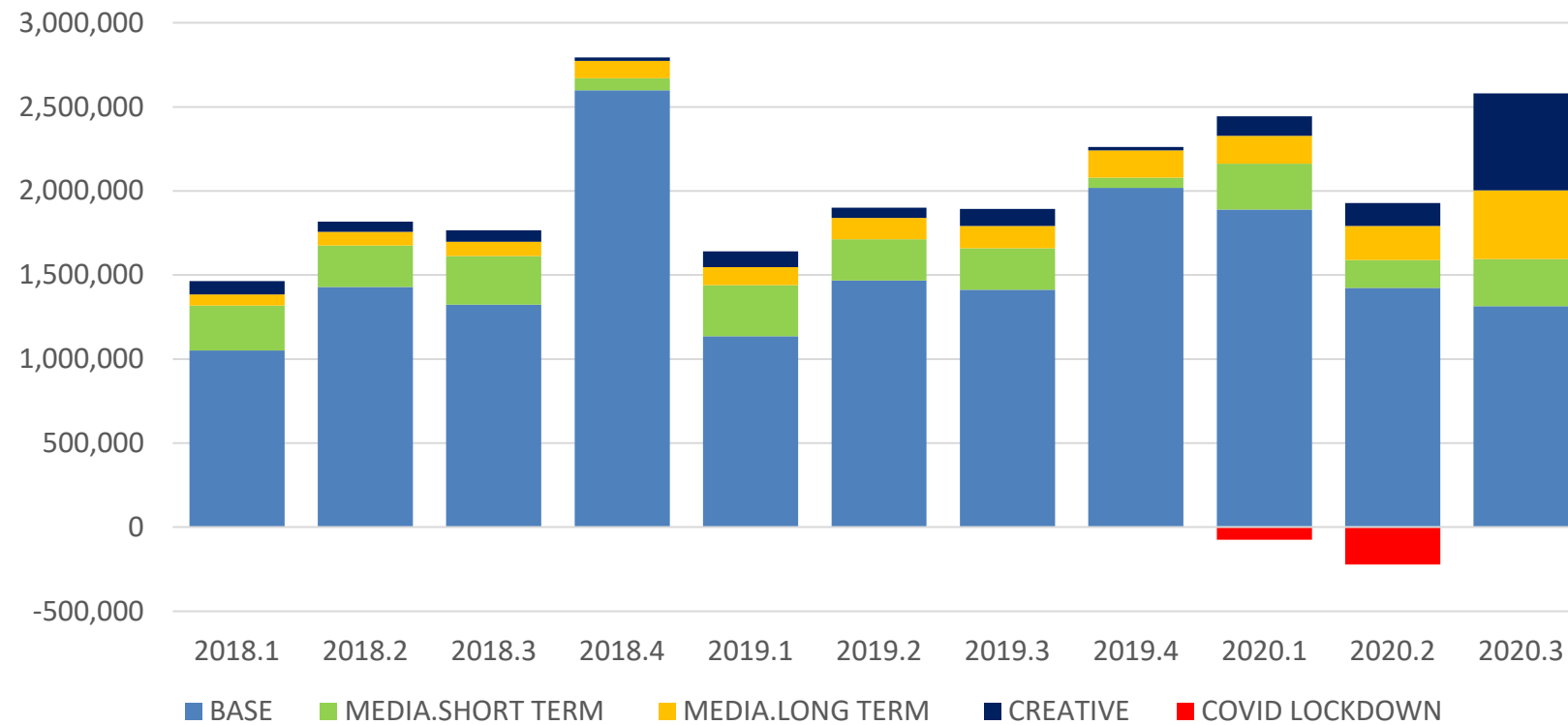
Major Dept. Stores' Advertising Creative Effectiveness Lags behind Competitors, especially among Millennials.



# QUARTERLY SALES DRIVERS

After a -10% sales decline in Q2 and a large negative impact from the Covid Lockdown, Major Dept. Stores' sales recovered to +25% gain in Q3; and much of this gain was driven by media.

Major Dept. Stores: Decomposing Millennial Sales by Quarter

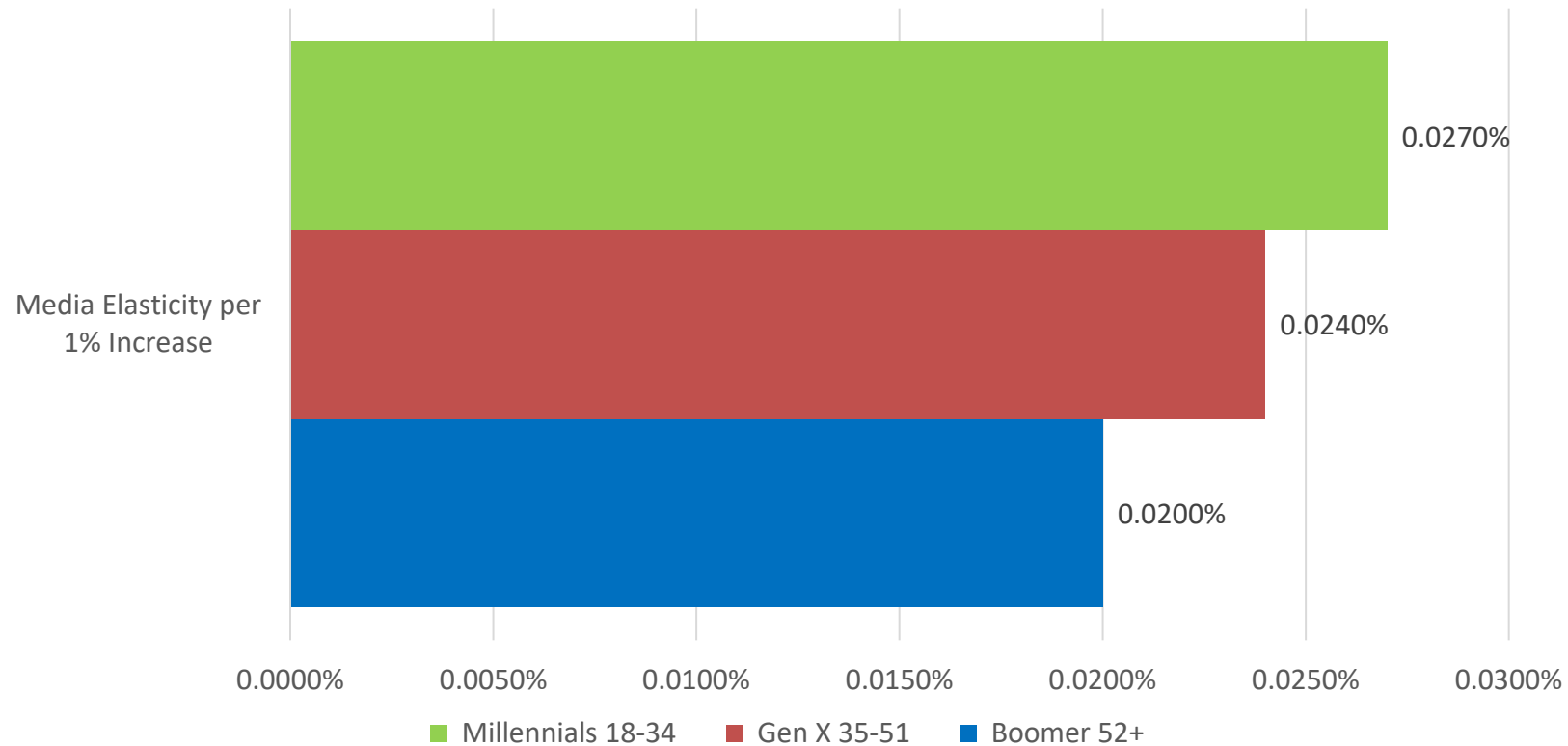




# DRIVER SENSITIVITY: % SALES IMPACT FROM 50% IMPROVEMENT

Millennial's higher sensitivity to advertising explains their higher growth differential

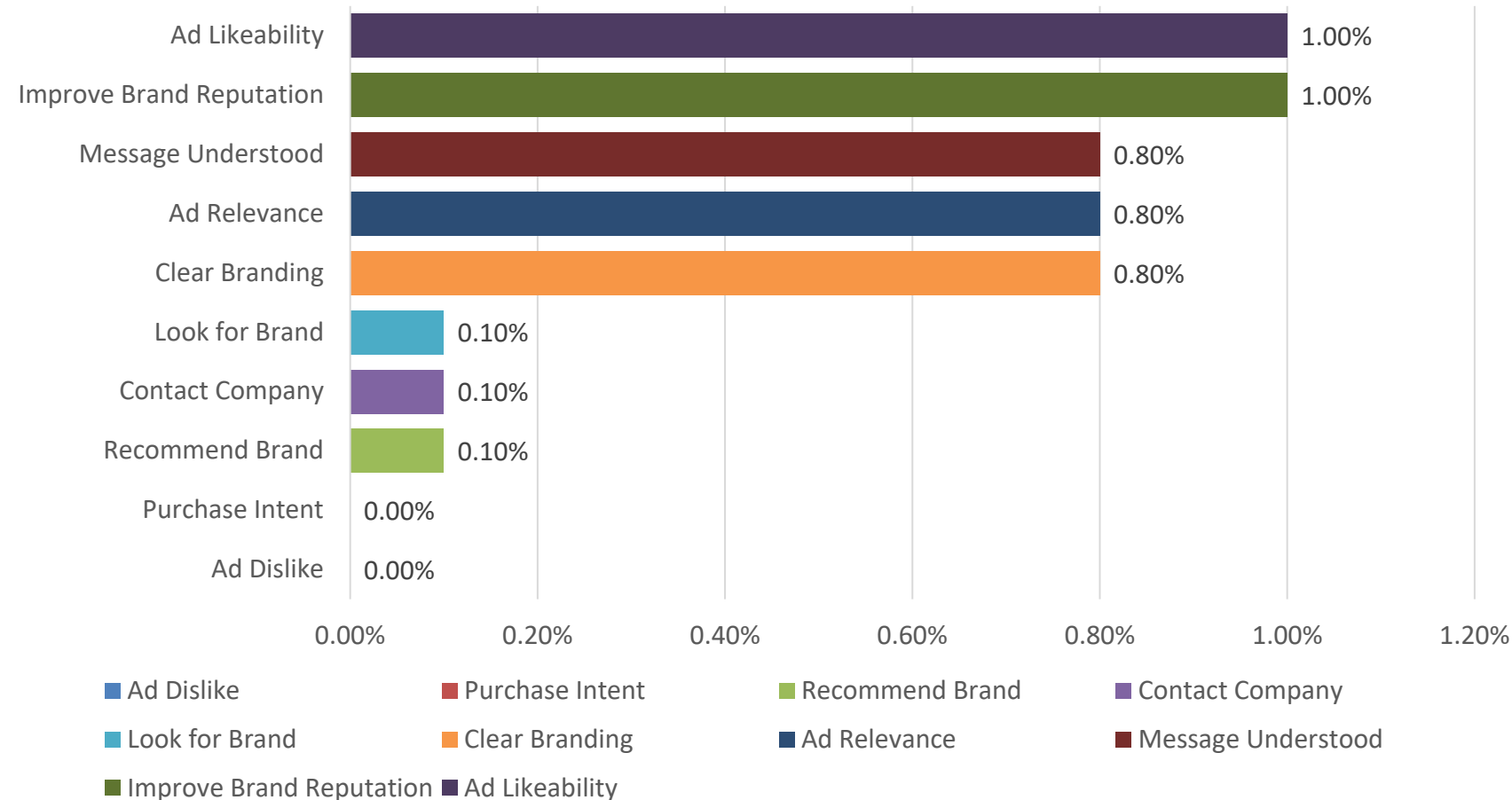
Model-Simulated Sales Impact





# CRITERIA FOR MOST EFFECTIVE ADS

These are the Criteria which were most aligned with highly effective ads to Millennial customers.



## WHAT'S NEXT FOR GENESIS?

Major Depart. Store shows a -5.6% sales decline in XXXX. In depth analysis reveals that:

- The Covid Lockdown cost the retailer about -3.4% % in sales. Even in the absence of this likely one-time event, Genesis' overall sales still under-perform. While growth returned at a strong rate following this Lockdown, we are not sure that this growth will be sustainable
- Like other retailers, Major Dept. Store focuses a lot of its marketing toward Major Depart. Stores' Millennials 18-24. While year-over-year sales improved among this group by 6%, this growth was insufficient to overcome the sales declines in other older age segments. Major Dept. Store is thus faced with the difficult task of accelerating growth among Millennials and returning the other age groups to positive growth
- While Major Dept. Stores' Ad Creative has improved in the current year, it still has more to go before it recharges growth across all groups. Evidence shows that the Boomer age segment, which is the largest by volume, does not respond well to Major Dept. Stores' ad messaging.
- When evaluating Major Dept. Stores' advertising, we see room for improvement of its messaging. While Major Dept. Store has done a great job in driving growth among Millennial's, its media message does not appear to show relevance among other key age groups, especially Boomers. Major Dept. Store needs to resolve this to grow its overall business.

## Contact Information

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