WWD

Insight into Consumer Purchasing Choices Can Boost Sales

By Jean Palmieri from Women's Wear Daily
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Using an analytical approach to predict customer behavior is the most effective path to success.

"For every item on the clearance rack, a merchant thought the item would be a winner and committed the company, sometimes to millions of dollars," said Greg Petro, President and Chief Executive Officer of First Insight Inc., at the WWD Fashion Forum in Las Vegas.

But often those merchants guess wrong.

Petro pointed to Chief Millard Drexler who recently admitted the company "made a mistake" after reporting poor quarterly numbers.

"This 'mistake,' an unsuccessful sweater called the Tilly, not only precipitated a 5 percent drop in sales but 175 people in the retail industry lost their jobs, along with their head of women's merchandising," Petro said.

Missteps such as these equate to "$1.1 trillion in lost opportunity globally each year — the size of the economy of Australia," he said.
Instead, by surveying

consumers about their buying habits, "sales can be increased 7.5 percent, not by opening new stores or expanding regionally or globally, but by simply fixing the inefficiencies inherent in overstocks and stockouts."

He said First Insight uses "groups of experts within a crowd to get better, more predictable results than asking a single person." The key, is to "cast a wide net and use science to find the best predictors of the category."

To do this, First Insight polls consumers on a particular category – dresses for instance – and asks them to evaluate 15-20 new products a retailer is interested in selling. The responses are then graded in terms of winners and losers and other metrics including preferences by age, income, etc.

A recent survey conducted by First Insight for WWD after New York Fashion Week in February found that "people at lower income levels were actually willing to pay more than people at higher income levels for brands such as Jason Wu and Rebecca Minkoff," he said. "This can be used to

inform marketing on their strategies for how to price and market certain styles to the target audience."

For Men's Fashion Week in Milan, First Insight found that men on average are willing to pay 30 percent more than women for the same product. "Having this data ahead of the launch can enable brands to more accurately target and price products based on knowledge of what the consumer is willing to pay," Petro said.

When businesses were small, he said, it was easy to speak directly to customers and get them what they wanted. But as "competition continues to grow and consumer preferences change, almost daily… that sense of intimacy is lost.

"As brands and retailers, what we need to be able to do is listen to our customers in a scalable way, and understand what they want. And of course then we need to be able to deliver what they want — and fast," he concluded.

That's the true key to success.