Inventory Drill to Market Basket

One of the questions we often ask ourselves as retailers is "If people buy this particular Item, what else are they also buying with it?"

We have several tools that let us approach this question from the Customer Maintenance perspective. Things like loyalty programs and sales history where we can track what particular customers are purchasing, but we also have a powerful tool that reports purchases across all customers. This tool is the Market Basket Affinity Viewer. Although a simple concept, the information it provides, if used effectively, can be quite impactful to your bottom line.

Basically, this tool allows you to quickly see the top 25 items that were most frequently purchased with the item you are analyzing. You may also hear this concept referred to as affinity analysis; in other words what items have an affinity for being purchased together.

Seems pretty straightforward, so let's now take a look at how to use it.

Topics

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- Benefits of Market Basket

Accessing Market Basket

The Market Basket can be accessed directly from the Inventory Maintenance screen; however in order to utilize this functionally, the Compass Client software must be installed on the terminal you are using.

This does not require a Compass Analytics license, but the software must be installed, and Eagle option 1507 "Enable Compass features in Inventory Maintenance " must be set to yes.

With those prerequisites met, let's take a look at SKU 46370, a copper plumbing fitting.

Once I have the item displayed, I simply select the Market Basket icon on the ribbon menu.

A separate windows opens and it displays the top 25 items that were purchased most frequently with your selected fitting, along with relevant data about each of these items, such as quantity sold, gross margin, and popularity code.

The default lookup limits the results for the past 1 calendar year and sales in the lock in store, however you can change these parameters as desired and simply press enter to refresh the screen

Benefits of Market Basket

Looking at results for store 1, the first item in the list is the item you selected, and as you can see it has a 100% affinity. Stating the obvious, this means that the item in question was present in every transaction it was sold.

Then, from there, the next item is the next most frequently purchased item with the item in question. In this case, out of 13 sales of this coupling, 6 times, or about ½ the time, the customer purchased an elbow fitting as well. And 3 times purchased a Tee fitting.

These results may seem obvious but other items may not be as obvious and present opportunities for cross merchandising and improved product placement. For example in this case I would want to ensure these three types of fitting were adjacent to each other and plainly visible. This will increase the chances that if a customer is purchasing one of them, that he will see the others and take several of them as well. Perhaps even "just in case".

Other examples of useful information can also be gleaned from what you are NOT selling with an item. In this case you are selling a fair amount of basic copper fittings but you only sold one tubing cutter.

Since this viewer also shows the location code for the items, you can see that the tubing cutters are not near the fittings.

This might suggest trying out a clip strip of the midget tubing cutters right on the fitting bins. You can then check back with the market basket viewer at a later date and see if you have succeeded in increasing the affinity of these items!

Another use for the market basket can be to analyze promotion performance. Pull up the results for an item you have recently promoted, and you can see what else was purchased.

For example, other higher margin items that you can make sure to display prominently along with the sale item, or are customers buying only the "deal" items from your flyer?

As you can see, we have only begun to explore how the market basket can help you gain a better understanding of what your customers are buying. The usage and possible applications for this data truly are only limited by your innovation and imagination, and can impact everything from product placement and pricing to advertising decisions. I hope these examples will help you in exploring the possibilities.

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