

Leading Fashion Retailer Cruises to \$34M Incremental Revenue Boost

Market Mix Modeling highlights key purchase drivers, shows where to save – and where to spend – media dollars for maximum impact.



Our client – a US-based leader in fashion/apparel – wanted to understand more about growth drivers for their industry. Like many industries, the fashion market is feeling the influence of increased digital shopping and rapidly shifting customer preferences. This client specifically wanted to identify what was impacting brand sales and how they could best utilize media investments to boost revenue. To find the answers, we undertook a DMA-level market mix model to estimate revenue contribution for all variables impacting this segment as well as all media variables. The insights returned by the model would be used to create customized recommendations for each media channel.

Recommendations Generate 1.2% Total Revenue Growth

Following the model’s recommendations, our client was able to realize the following annualized incremental revenues:



\$32 million due to emphasis on inventory freshness



\$34 million due to increased digital media spends



\$11.5 million due to coupons

Additionally, the modest \$1.3 million increase in coupon spends led to a **\$23 million increase in sales contribution**. And the model also created a **40% improvement in turnaround time** (from 9 weeks to 5 weeks).

Surfacing Insights with Market Mix Modeling

Two things were key to the model’s success: its detailed data sources and its automated multi-step process. We took sales, media, markdown, coupon, direct mail, and email data (among many others), reviewed it, and developed an exploratory analysis to analyze trends, find correlations, and deal with missing values and outliers. Next, this data was tested in a multifaceted model, with a deep dive into traditional and digital media vehicles and into various sales drivers. We compared media channels across markets and used hierarchical modeling techniques to estimate the revenue contributions and ROIs for all media and base variables. Finally, we used these insights to develop an optimal range of execution for each media channel.



Optimized Budget Increases Sales

Thanks to this model, the client can now optimize their budgets, tightening spends while still growing sales. By following the reallocation suggestions developed by the model, they gained a 9% increase in incremental sales while trimming 7% off their media spends.