

Tesco's Ball

To make sense of the “mind-numbing flow of data on the purchases” of its 13 million loyalty-card holders “across 55,000 product lines,” Tesco’s Dunnhumby “cooked up an algorithm called the rolling ball.”

Tesco’s ball starts by “assigning attributes to each of the products on Tesco’s shelves,” ranging “from easy-to-cook to value-for-money, from adventurous to fresh.” The algorithm “starts at the extremes: ostrich-burgers, say, would count as very adventurous.”



The idea is to see which other products the “adventurous” ostrich-burger shopper buys and then draw associations between product attributes and shopping behavior.

The technique is called “the rolling ball” because “as the associations between products become progressively weaker on one dimension, they start to get stronger on another,” and the “ball” rolls “from one attribute to another.”

Once every product is “categorized and graded across every attribute, Dunnhumby is able to segment and cluster Tesco’s customers based on what they buy.” The data are then used to make decisions such as which products to put in which stores, and “which products should sit next to each other on the shelves.”

Despite the power of such numbers crunching, “human judgment still has a role,” of course. In addition to its algorithms, Dunnhumby “is trying to overlay attitudinal research on top of purchasing data to understand why people buy things as well as what they buy.”

[SOURCE: *The Economist*, 9/15/07]

Home Depot's Edge

Most shoppers prefer Lowe’s to Home Depot, but they spend more money with Home Depot because its stores are more convenient. A survey of 1,000 consumers by Consumer Specialists found that 53 percent preferred Lowe’s, compared to 47 percent for Home Depot.

Consumers rated Lowe’s “higher than Home Depot in most areas, including product selection and customer service.” In fact, Lowe’s widened its favorability rating over Home Depot from “a 51 percent to 49 percent preference” in a similar survey conducted in 2006.

However, in one key area — convenience — Lowe’s loses its edge: “Home Depot has 2,206 retail stores in the U.S., while Lowe’s has about 1,400.” Fred Miller, president of Consumer Specialists, says Home Depot’s greater number of locations makes all the difference. “If you’re only going to win one [category] that’s a good one to win,” he says.

As a result, those who say they prefer Home Depot say they spent an average of \$763 there over the previous six months, compared to just \$322 at Lowe’s. Those who prefer Lowes reported spending \$604, compared to \$454 at Home Depot.

Geographically, Lowe’s has its edge in the South, while Home Depot leads in the Midwest and West. Demographically, women prefer Lowe’s, by a margin of 54 percent to 46 percent.

[SOURCE: Mary Ellen Lloyd, *The Wall Street Journal*, 9/12/07]

Microsoft's Surface

Microsoft is out with a product called Surface, “a table with a square acrylic top,” that “combines five cameras with Wi-Fi and Bluetooth wireless networking to detect objects and movement. As users move their hands on the table top, cameras help translate the motions into commands.”

Surface initially will make its debut at casinos such as Harrah’s, perhaps as part of its loyalty card program. For example, “placing a loyalty card... on the table summons a map of Caesar’s Palace.

“Tapping on the casino’s different venues reveals show times, menus, descriptions of nightclubs and other information, allowing a guest to book tickets, make restaurant reservations, or even gamble.” In another application, “placing a wine glass with tags similar to a bar code on the table... could call up details about the wine and its vineyard.”

Because Surface starts at \$5,000 to \$10,000 and requires “considerable customization,” it is not yet available for the home market. But Bill Gates sees big things ahead for Surface, predicting that within 3-5 years, Surface will be selling at “price points that are under a thousand dollars for broad usage.”

[SOURCE: Robert A. Guth and Don Clark, *The Wall Street Journal* 5/30/07]

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