

Follow the Leader

In the Pink harnesses influential customers to increase sales

by LAURI GIESEN

Many retailers spend a lot of their resources learning which of their customers have the greatest value to them in terms of dollars spent or the number of visits they make. But how about figuring out which customers get others to purchase at a particular retail establishment?

A few merchants have attempted to identify “influencers” — those people who get others to spend at their stores. In some cases, it might be the local fashionista everyone looks to emulate with their wardrobe. Or it might be the sports enthusiast people copy in their equipment purchases. It might even be the teenager that other teens look to when deciding what video game to buy.

The challenge is that those identifications are typically no more than best guesses, often based on social media postings. Retailers will look for pictures of customers with their products, or read blogs or product reviews, and assume the customers involved in these postings are influencing others.

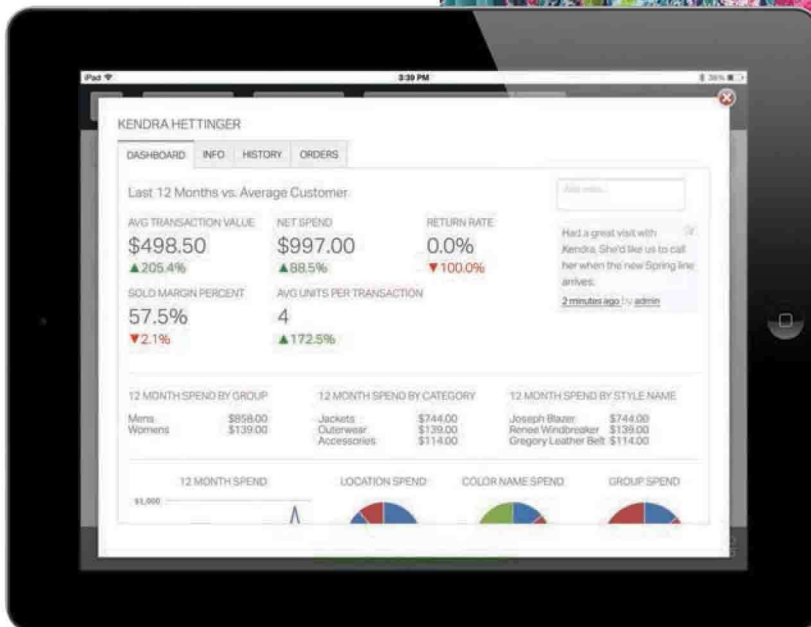
But In the Pink, a chain of 10 clothing stores in Massachusetts that sells the Lilly Pulitzer line, says it has tested and proven a scientific measurement technology that looks at actual purchase patterns to identify what it calls “social whales,” people whose purchasing patterns are emulated by others.

BRING A FRIEND

Last October, In the Pink tested a system from Ninja Metrics that

analyzed credit card purchases to scientifically detect purchase patterns and determine which customers were actually influencing others to make purchases.

“In the Pink wanted to know if there was an additional way to score the economic value of its customers beyond the traditional means,” says Gordon Russell, CEO of In the Pink and chairman of Springboard Retail, a software company that teamed with Ninja Metrics. “If we could identify



Some customers who spend **\$500** in a store can influence their friends to buy **\$2,000** worth of merchandise. — Ninja Metrics

the social value of customers, then we could market differently to them,” he says.

To do that, In The Pink needed to find out which of its customers were going out in their communities and getting friends and acquaintances to copy their looks.

“There are always social groups

where there are women identified as the social leader,” Russell says. “Everyone wants to follow their lead in terms of the dresses they wear, the jewelry they wear or even the colors they wear.”

As a way of testing its theory, In the Pink fed data to Ninja Metrics about purchases made the previous summer. Just prior to the chain’s Columbus Day sale, Ninja Metrics identified which In the Pink customers were the greatest influencers in getting others to make purchases. After identifying the “social whales,” In the Pink offered them a free gift if they came into the store with a friend.

The retailer saw an 11 percent increase in revenue over the previous year’s sales. Furthermore, stores saw a 16 percent increase in new customers and a 17 percent increase in the number of items purchased per transaction.

“After seeing the results, we knew

immediately that we had identified and engaged the right people,” says Emily Evans, In the Pink district manager.

GETTING AHEAD

“In the past, most retailers played a guessing game to figure out who influences other customers,” Russell says. “It is based on anecdotal information. We’re taking this a step beyond by using real data about customer purchases.”

In the Pink had previously looked at social media posts to identify possible influential customers. But promotional efforts based on social media posts did not see any increases in sales, Evans says.

Going forward, she says additional data can be gathered to get even better information about the chain’s influencers. In the future, the company can segment the leaders based on how social they are, and target offer-

ings even more specifically.

Additionally, while In the Pink is using the data for marketing purposes, there is also the potential to use data to make merchandising decisions.

“We can go to the market eight months before we purchase inventory and identify the trend setters,” says Rebecca Russell, In the Pink buying manager. “We can send them preview materials or invite them to trunk show sales to gauge what they think everyone will buy this season.

“This will get us an early lead over our competitors. We can order more items that are going to sell, rather than wait until we are out of the merchandise and have to reorder.”

COMMUNITY SELLS

The Ninja Metrics approach to customer analysis is based on algorithms and data analysis developed by an in-house team directed by scientists and

university professors.

“This is a scientific-drive approach that excludes all social media data that can’t be proven,” says CEO Dmitri Williams. “Our data can be proven because it is based on actual sales data.”

Ninja Metrics uses credit card purchase data and searches for patterns, looking for repeated instances where one person made a purchase and then another person made the same purchase.

“Some people are heavy influencers and others are often influenced. We want to know who the drivers are,” Williams says.

Ninja Metrics studies found that some customers who spend \$500 in a store can influence their friends to buy \$2,000 worth of merchandise. Getting those influential people to make a purchase and then influence others can be more profitable than attempting to get them to increase their own purchases.

In the Pink was a particularly good

candidate to test Ninja Metric’s technology because it has a customer base with a strong sense of community, Williams says.

Beyond fashion, there are a number of other types of retailers where identifying social influencers is helpful.

“This works best on products or services where there are group members who are looking for status or a sense of belonging,” Williams says, such as video games, sporting goods, boutique beverages and spas.

“We’re looking for businesses where there is a community,” he says. “People belong to groups and share similar personality types.”

USING CONNECTIONS

In addition to offering gifts to influential customers who bring in a friend, promotions could offer special discounts to influencers to get them to make additional purchases that their

friends will replicate, Williams says.

“If you offer a discount to that cool girl to get her to buy a jacket, then everyone else will want one just like it.”

Getting influential social people to promote a company’s product is not that dramatically different from hiring celebrities to endorse a product, he says. In that case, customers are buying a product because someone they admire bought the product.

Businesses that offer spa or personal wellness services have a special application, he says. “When people go to spas with friends, it reinforces the friendship and creates a social connection. If you offer someone a discount if they bring in three friends, you are activating those connections.”

STORES

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