

## Industry: National Department Store Retailer

### Key Achievement: Increased Holiday Sales

#### At-a-Glance Details

<b>Promotion Goals</b>	<ul style="list-style-type: none"> <li>Attract new and lapsed customers</li> <li>Increase traffic at existing and new locations</li> </ul>
<b>Offer</b>	15% off purchases (10% off home department)
<b>Promotion Length</b>	1 month
<b>Response Rate</b>	4.5%
<b>Incremental Revenue</b>	\$2,150,000
<b>Lift in Spend</b>	11%

#### Background

A nationwide department store participated in the Visa Incentive Network (VIN) after acquiring new store locations through a competitive buyout. They wanted to persuade the customer base of the acquired retailer to switch their affiliation to the new merchant, especially during the crucial holiday season. The promotion also aimed to increase sales at the merchant's current locations in multiple regions of the country.

The offer—15% off cardholder purchases (10% off purchases in the home department) with no minimum spend amount.

#### Target Audience

The targeting universe was comprised of all eligible Visa Signature and Visa Traditional Rewards cardholders. Cardholders were selected based on their proximity to a participating store and their Visa transaction histories.

Spending behaviors of the merchant's current customers were analyzed to ascertain the trends that showed an increased probability of shopping at the merchant. Modeling techniques were then applied to the VIN database to identify and target other rewards cardholders who exhibited similar shopping behaviors. These prospects were selected for mailing because their shopping trends showed an affinity to the merchant's brand and a greater likelihood to switch their brand affiliation.

Opportunities to increase wallet share were identified by looking at the Visa transaction histories of cardholders who shop in the merchant's category. Accounts were ranked based on the merchant's penetration of category spend. Accounts with low wallet share at the merchant, but high spend within the category, were selected for mailing. This set of accounts represented the best opportunity to generate incremental spend and increased share of wallet for the merchant.

To measure the amount of incremental spend generated by the promotion offer, a control group of cardholders was randomly selected from the eligible pool. This group did not receive the offer.

## Results

Spend of the mailed and control cardholder groups was tracked during the promotion to determine the incremental lift resulting from the mailing. Based on the control group's activity, analysts were able to estimate the number of customers and the amount of spend that would likely have occurred despite the offer. After these figures were subtracted from the total numbers generated, the results were:

- \$2,150,625 in incremental revenue generated by the offer
- 16,000 new customers brought in by the offer
- 12% lift in spend among mailed cardholders
- 12% lift in activity\* among all mailed cardholders
- 19% lift in activity\* within the region with the highest penetration of new stores

Note that the lift percentages are based on comparing cardholders who were mailed the offer to the control group who received no offer.

## Conclusions

**1. Targeting.** Affinity models using cardholders' transaction histories can help refine targeting efforts to identify highly responsive accounts for future offers as evidenced by the segmentation results.

**2. Offer.** The "percentage off" offer proved to be sufficiently enticing to motivate cardholders to visit the merchant and use their Visa® cards for purchases. Future offer testing could help determine whether adding a spend hurdle (e.g., 15% off a purchase of \$75 or more) could increase spend without depressing response.

**3. Timing.** The results of this holiday season offer show that traffic and revenue can be increased during key sales times with an attractive, targeted offer.

## Recommendations

**1. Construct an incremental activity model.** Results from previous offers can be used to refine the targeting to possibly yield an increase in activity in future VIN campaigns.

**2. Add a spend hurdle.** The merchant could require a minimum spend amount to augment the average sales per account for future promotions. However, the minimum threshold amount should not be too high, to avoid decreasing the activity rate.

## Summary

The promotion was successful in convincing targeted cardholders to switch store loyalty in the new markets the merchant aimed to penetrate.

\*Activity means any eligible account making a Visa purchase of any amount at the merchant during the offer period.