

Industry: National Consumer Electronics Retailer

Key Achievement: Attracted New Customers by Identifying “Best Customer” Characteristics

At-a-Glance Details

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| Promotion Goals | <ul style="list-style-type: none"> Attract new cardholders Determine an offer that achieved the highest response |
| Offer | \$10 or \$15 off a purchase of \$100 or more |
| Promotion Length | 1 month |
| Response Rate | 0.9% |
| Incremental Revenue | \$661,000 |
| Lift in Spend | 37% |

Background

A major consumer electronics retailer participated in the Visa Incentive Network (VIN) to help attract cardholders who were likely to become loyal customers. Visa applied proprietary modeling techniques to identify characteristics exhibited by the merchant's current shoppers. The promotion tested whether targeting cardholders with similar transaction histories would lead to more sales.

A secondary test was conducted to determine which offer generated greater activity—\$10 or \$15 off a purchase of \$100 or more.

Target Audience

The targeting universe was comprised of all eligible Visa Signature and Visa Traditional Rewards cardholders. Cardholders had to reside within a 20-mile radius of a participating merchant location to be eligible.

After the merchant's existing customer base was analyzed to identify trends in spending behaviors, affinity modeling was used to identify non-customers in the VIN database with spending behaviors similar to the merchant's current customers. Cardholders were scored using multiple attributes and those with the highest rankings (the greatest affinity to current customers) were selected for the mailing.

A full view of existing customers' category spend—provided by their Visa transaction histories—helped identify opportunities to increase wallet share. The targeting strategy isolated existing customers who shopped with the merchant and at competitors. This group was further segmented according to the percentage of category spend given to the promotion merchant. Segments where the majority of the category spend was at a competitor were targeted to help capture increased spend and shift the share of wallet to the promotion 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:

- \$661,491 in incremental revenue generated by the offer
- 37% lift in spend among mailed cardholders
- 20% lift in activity* among mailed cardholders
- 150% over the required spend hurdle for the overall average transaction

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 help identify highly responsive segments of non-customers for future offers as indicated by the segmentation results. Transactional history can identify increased wallet-share opportunities among current customers.

2. Offer. The "\$15 off \$100 or more" offer generated higher incremental activity than the "\$10 off" offer. The higher dollar value allowed the merchant to increase both penetration and wallet share.

3. Purchasing behavior. Current customers showed stronger repeat purchasing behavior than the non-customer segments that were included in the test. This higher degree of loyalty suggests that bringing in new customers can be an effective way to create a greater base of repeat customers.

Recommendation

Test minimum purchase threshold. Future VIN promotions could help determine if the average spend/ticket amount can be increased among prospects to possibly generate more incremental revenue.

Summary

Based on the success of the initial VIN campaign, this merchant has participated in additional VIN promotions. This has provided greater insight into their target customer base and allowed them to refine their offer to generate higher response.

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