



Industry: National Gasoline Merchant

Key Achievement: Encouraged Repeat Spend Among New Customers

At-a-Glance Details

Promotion Goals	<ul style="list-style-type: none"> Attract cardholders with little or no past spending at the merchant Promote repeat spend at the merchant
Offer	Make 3 or more purchases of \$25+ each month during the offer period to earn a \$10 merchant gift card
Promotion Length	3 months
Response Rate	3%
Incremental Revenue	\$710,000
Lift in Spend	64%

Background

A nationwide gasoline merchant used the Visa Incentive Network (VIN) to penetrate and reinvigorate a region that was seeing a decrease in sales due to a local competitive threat. The merchant also wanted to identify if there was an opportunity to increase the number of monthly customer transactions to generate incremental sales. Since the average ticket value is fixed and not influenced by marketing efforts, the promotion tested whether customers could be persuaded to transact with the promoted merchant more frequently. Ultimately, it measured offer sensitivity and customer loyalty.

The transactions of current customers were analyzed to determine a transactional benchmark. On average, consumers made three total gas transactions per month, but only two at the merchant. Therefore, the promotion offer set a transactional hurdle of three purchases per month that the cardholder had to make at the merchant to redeem the offer. A spend hurdle of \$25 or more per transaction was established to ensure that the average ticket value did not decrease during the promotion period. Cardholders who met the promotion criteria were rewarded with a merchant gift card worth \$10, further encouraging repeat spend.

To achieve a long-term spending behavioral change rather than a short-term shift in spend, the promotion ran for three consecutive months. A multi-touch communication strategy was used to keep the merchant’s offer top-of-mind during the 90-day offer period. Some cardholders were sent reminder postcards in months 2 and 3 to reinvigorate response and reinforce the behavior shift. These segments were tested against accounts that received no additional prompts to determine the impact of a direct mail offer reminder.

Target Audience

The targeting universe was comprised of all eligible Visa Signature and Visa Traditional Rewards cardholders. Cardholders had to be located within the target region to be eligible.

To bring in new customers, affinity models were used to find cardholders with spending behavior similar to the merchant’s current customers. The Visa transaction history of cardholders was also reviewed to identify opportunities within the merchant’s existing customer base to increase wallet share among those who visited the merchant infrequently. Selected accounts could have no more than 25% of their gasoline purchases at the promoted merchant in the year leading up to the promotion.

To measure the amount of incremental spend generated by the 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:

- \$709,974 in incremental revenue generated by the offer
- 64% lift in spend among mailed cardholders
- 33% lift in activity* among mailed cardholders
- 66% lift in transactions among mailed cardholders
- Over 2,800 new customers brought in by the offer

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

Because there were several combinations of targeting variables—including region, purchasing history and product—it was not possible to simply compare test cells to determine the response rates of each. However, cardholders who received the follow-up postcard consistently outperformed those who received no reminder.

Conclusions

1. Targeting. Targeting accounts with spend in the merchant's category is an effective way to attract new customers, as evidenced by the lift in spend, activity and transactions among all mailed cardholders.

2. Offer. The \$10 gift card reward proved to be a sufficient motivator to increase spend and transactions. The lift also demonstrates that the spend requirement was not deemed a deterrent by recipients. The three-month offer period allowed for repeat purchases and convinced cardholders to make their gasoline purchases at the merchant. This may help cardholders develop the habit of making gasoline purchases at the merchant well past the offer period, providing additional spend and revenue for the merchant.

3. Purchasing behavior. Since both current customers and non-customers were included in the test, the merchant was able to compare activity between the two segments. Current customers showed stronger repeat purchasing behavior than non-customers, suggesting higher levels of loyalty to the merchant. Therefore, bringing in new customers may help create a greater base of repeat customers.

4. Reminder mailing. Cardholders who received the subsequent postcard mailings showed higher response rates than those who did not, demonstrating that direct mail offer reminders during an extended promotion period can have a positive impact on consumer behavior.

Recommendations

1. Refine profiling. Future VIN promotions could potentially improve response by profiling cardholders who responded to previous offers, and by further analyzing geographic and merchant affinity data.

2. Send follow-up communications. Future promotions over an extended period of time should have additional communications to remind cardholders of the benefits of the offer and drive sustained spending.

Summary

The merchant found this promotion to be so successful in achieving the desired objectives that they are engaging in a second VIN promotion.

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