

Industry: Wholesale Retailer

Key Achievement: Increased Memberships and Drove Incremental Spend

At-a-Glance Details

	Promotion 1	Promotion 2
Promotion Goals	<ul style="list-style-type: none"> Incent trial and attract new members Increase incremental spend 	<ul style="list-style-type: none"> Incent trial and attract new members Increase incremental spend
Offer	Free one-day pass; \$15 off a new one-year membership, plus three additional months	Free one-day pass; \$15 off a new one-year membership
Promotion Length	45 days	45 days
Response Rate	0.98%	0.83%
Incremental Revenue	\$512,000	\$385,000
Lift in Spend	20%	102%

Background

A regional wholesale merchant with a membership model turned to the Visa Incentive Network (VIN) to drive trial usage and increase its membership base. A secondary goal was to generate incremental spend.

The merchant participated in two VIN promotions approximately half a year apart. Findings from the first promotion were used to develop a response model. An incremental spend component was also added to identify customers who would be responsive and those who would provide the greatest opportunity in incremental lift. This helped find cardholders who would not have visited the merchant had they not received the promotion materials.

The Promotion 1 offer was a free one-day pass to the merchant, \$15 off a new one-year membership and a three-month membership extension. To test the offer component, Promotion 2 featured the one-day pass and \$15 off a new one-year membership without the three-month extension.

Target Audience

The targeting universe was comprised of all eligible Visa Signature and Visa Traditional Rewards cardholders. Filtering criteria were used to select cardholders whose spending behavior identified them as likely to shop at a big-box merchant; these cardholders were then ranked based on their probability of response. Those ranked as most likely to respond were further segmented using geographic models. These models helped determine the most effective mailing radius based on the cardholders' proximities to the participating merchant's store locations. Current customers of the merchant were excluded from both promotions.

By examining responders from Promotion 1, analysts were able to identify unique trends in spending behavior that had a positive or negative correlation to offer redemption. These findings were applied to the Promotion 2 model to increase response.

To measure the amount of incremental spend generated by the offers, 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 both promotions to determine the incremental lift resulting from the mailings. 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:

Promotion 1	Promotion 2
<ul style="list-style-type: none"> 20% lift in spend among mailed cardholders 20% lift in activity* among mailed cardholders 	<ul style="list-style-type: none"> 102% lift in spend among mailed cardholders 112% lift in activity* among mailed cardholders 94% conversion rate (mailed cardholders with activity during the promotion who purchased a membership)

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

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.** Targeting cardholders who are most likely to shop at big-box merchants is an effective way to bring in new members as evidenced by the redemption rates and lift in spend and activity for both promotions.
- 2. Model refinement.** Refining the model used to determine cardholder eligibility can have a significant impact on cardholder activity and spend as demonstrated by the difference in the lift in spend between the two promotions.
- 3. Offer.** The extremely high conversion rate for the second promotion (no statistics are available for the first promotion) indicates that the offer was enticing enough to motivate cardholders to join, which will lead to incremental revenue gains as these new customers shop at the merchant during their membership period. Furthermore, the 12-month membership offer was less costly to fulfill than the 15-month membership, adding to the revenue gains.

Recommendations

- 1. Measure the long-term impact of incremental customers.** Since a high proportion of active cardholders (those who made purchases at the merchant during the promotion) signed up for a new membership, a future VIN promotion could provide offers that would generate sustained usage from these accounts.
- 2. Target specific households.** Identifying lifestyle traits of cardholders who responded to the promotions could help increase response and membership for future campaigns.

Summary

This merchant capitalized on the power of VIN by participating in multiple promotions. This allowed them to refine their targeting criteria, which led to increased membership and incremental spend.