

Down Store Marketing Program Leads to New Insights and Opportunities

Case Study: Retail Marketing & Data Management

BACKGROUND:

Client, a leading retailer in its category, has in excess of 2,000 locations. Of those total locations, approximately 15% are considered “underperforming” in that they do not consistently meet established revenue and profit benchmarks. Before ultimately shuttering or relocating an underperforming store, a number of steps are taken to boost store performance. One of those steps had been to supplement Client’s typical advertising – broadcast, inserts and ROP – with targeted direct mail. However, prior to engaging InterDirect, Client’s direct mail experiences had been mostly negative due to questionable data quality, delivery and response.

PROGRAM OBJECTIVES:

Client asked InterDirect to create a direct mail program designed to drive customers and prospects to underperforming stores. Secondary objectives were to gain customer and marketplace insights regarding effective targeting strategies/methodologies that could then be leveraged across all stores, as part of an increased emphasis on customer-specific communications.

Constraints included the use of raw store transaction files, the creation of original prospect files, scoring both files to rank an individual’s propensity to respond, and a very short turn time from obtaining the files to dropping the mail. To be considered successful, an overall response rate of at least 4% was required.

PROGRAM DESIGN:

Profile/Model: Client identified a group of approximately thirty (30) representative underperforming stores and provided the associated customer transaction detail for the prior twelve (12) months. InterDirect created a profile of top customers and developed a model designed to score customers and prospects based on their propensity to respond and purchase. InterDirect set aside a sizable control group and then utilized the model to rank the balance of the file for test mailing. Results of the initial mailing would be used to validate the profiles and tune the model. The balance of the file would then be scored and mailed.

Mail Piece Format: Client needed a format that could deliver Client’s branding design and personalized messaging and that could be produced in quantity for use as needed. After considering a number of designs, a fold over self-mailer was chosen. The outside of the piece allowed for laser personalization including a variable primary offer, target store address, map to the target location, manager name, phone number and alternate locations in the area. The inside was press printed with copy and additional offers similar to Client’s traditional inserts.

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Data Capture/Tracking: Because in-store data capture was key to evaluating success, Client needed a solution that ensured response integrity without a significant overhaul of their existing POS and taxing their limited IT resources. A solution was found by having the store transaction files passed through their central server and exported to an FTP site for nightly downloads to the database. This kept Operations and IT from having to be involved in any type of POS upgrade or the housing of any additional data, either of which could have delayed or indefinitely derailed the program.

RESULTS:

By setting specific evaluation metrics, Client and InterDirect were able to specifically quantify program results. At the end of one year:

- » Customer response averaged over 13.5% and prospects response averaged almost 3% – for a combined response rate far exceeding goal.
- » The average purchase of direct mail responders was over twice (2x) the average purchase of all customers combined.
- » Along the lines of the classic 80/20 rule, the program highlighted and ultimately targeted a group of ‘core’ customers who engage in highly profitable behavior of buying product bundles in greater quantity and more often than the average customer.
- » This data also revealed purchase tendencies that were more likely to result in subsequent high margin buys. Thus, allowing these target transactions to be flagged in the database as cross-sell trigger opportunities
- » A Hispanic customer cohort stood apart among the customer cohorts making it efficient and effective to target and forecast this highly desirable segment.
- » The combined understanding of customer behavior and marketplace information such as demographic and economic makeup, customer penetration and market potential could be utilized to gauge relative store performance and appropriate media and product mix.

The program met its primary objective of driving customers and prospects to underperforming stores. Perhaps as important is the accomplishment of secondary objectives. The customer database continued to grow and evolve, establishing benefits beyond its initial purpose of supporting the under-performing store program. Its web-enabled architecture resulted in faster to market turn times, increased localization, greater messaging relevancy, reduced costs, multi-channel integration and greater media efficiencies overall.

InterDirect is a database marketing firm specializing in results-oriented solutions for leading companies.

We are dedicated to providing customized products and services to meet your unique needs.