New Approach To Prism+ Loyalty Program

BUSINESS CASE BY INDIGO OPS

Executive Summary

Overview

Analytical insights from the Prism+ loyalty program show that, within the 6-month pilot, the same customers generated less revenue and fewer customers were eager to purchase than in the same time period before the launch. The data shows that despite this decrease, Average Revenue Per User (ARPU) increased, indicating that only a particular segment(s) of Prism+ members found this loyalty program appealing. We believe the current program should be restructured to encourage an increase in purchasing value and frequency to rise to higher tiers.

Problems

* Decrease in revenue from the same customers after the launch of Prism+
* Decrease in the number of Prism+ customers purchasing products
* Increase in ARPU suggests that only a fraction of Prism+ customers found it useful and started to purchase more

Recommendations

We believe the following changes can push Prism+ strongly towards success:

* Every customer becomes a **Bronze** member after the first purchase and enjoys certain benefits from purchasing Prism brand products;
* After spending £50 within a year they become a **Silver** member and in addition to Bronze perks, they get 2 free shipping and exclusive discounts;
* After spending £100 within 6 months they become a **Gold** member and in addition to Silver perks, they get 4 free shipments and more exclusive discounts;
* Paying £10.99/year promotes the customer up to the **Platinum** tier. This tier provides all the benefits of the Gold tier plus access to exclusive brands, early access to product launches and many more.

Overview

Currently, the Prism+ model is based on pseudo-random positioning of customers, who have made at least one purchase before 2022, into different tiers. The higher frequency of their purchases, the higher probability they end up in a higher tier with larger discounts.

Our analysis shows that this positioning has not been the most beneficial. Looking at the insights, they show that since the launch of the loyalty program, revenue and the number of customers has dropped, but surprisingly, ARPU has increased across all tiers, indicating that only a fraction of customers assigned as Prism+ members find this program actually useful. Hence, we believe that the Prism+ model, at least in its current shape, should be amended.

In the following sections, we introduce our recommendations that would transform our loyalty program into an impactful, revenue-driving model.

Problem

* Total revenue for Gold and Platinum tiers reduced after 6 months of the Prism+ pilot scheme: -£180 for Gold and -£10,500 for Platinum.
* Number of transactions decreased for all tiers following the Prism+ pilot: -31% for Bronze, -32% for Silver, -36% for Gold, and -46% for Platinum.
* Prism+ members had £6.70 lower average gross profit and 13% lower average gross profit margin compared to non-Prism+ members.
* Despite a decreased revenue, ARPU has increased for all tiers (+£17.83 for Bronze, +£22.15 for Silver, +£17.25 for Gold, and +£9.37 for Platinum), suggesting only a minority of Prism+ members found it useful to purchase more.

Recommendations

We advocate for Prism to not entirely scrap the loyalty scheme, but to make amendments to how customers are treated, based on their respective tier. This would require postponing the initial launch date and suggest a new pilot scheme for the restructured Prism+. The table below shows a suggestion for the restructuring of Prism+:

|  |  |  |
| --- | --- | --- |
| **Prism+ tiers** | **Criteria** | **Rewards** |
| **Bronze** | First purchase | Welcome/birthday reward for Prism products |
| **Silver** | Spend £50 within a year | Welcome/birthday reward for Prism products, exclusive Silver discounts and offers, free shipping for 2 orders |
| **Gold** | Spend £100 within 6 months | Welcome/birthday reward for Prism products, exclusive Gold discounts and offers, free shipping for 4 orders |
| **Platinum** | Paid subscription - £10.99 a year | Welcome reward, birthday reward, early sale access, exclusive Platinum discounts and offers, access to exclusive brands and items, free unlimited fast-track and nominated day deliveries\* (on orders £10 or over) and returns - (\*T&C’s apply) |

**Note: Customers who do not purchase anything for over 1 year will be downgraded from their current tier.**

Justifications

* Changing the criteria from the frequency of purchases to thresholds on how much customers spend would encourage higher value transactions rather than multiple transactions that could be of lower revenue.
* Introducing time constraints on progressing through the tiers adds incentive to making more regular purchases
* Providing welcome/birthday rewards specific to Prism products because the Prism brand has the highest profit margin (72%), so any discounts applied to Prism products would still generate considerable profit.
* Reducing the benefits of the Bronze tier limits the loss in gross profit margins as the members will have to earn better discounts rather than immediately getting 5% off
* The Silver tier criteria for £50 spent was determined by the most customers have a transaction revenue of ~£40, therefore setting a slightly higher goal would encourage customers to spend more to move up to the next tier.
* The Gold tier criteria for £100 spent encourages customers to make further average transactions and some customers do make transactions worth ~£90.
* The Platinum tier aims to feel more exclusive and reserved for our most dedicated and loyal customers, with more rewards and perks.
* The paid subscription (£10.99/year) for the Platinum tier is justified as a “VIP experience” comes at a price and the revenue from the subscription can be reinvested into additional perks and rewards, such as monthly raffles to win prizes, such as days out, theatre tickets, hampers etc.