



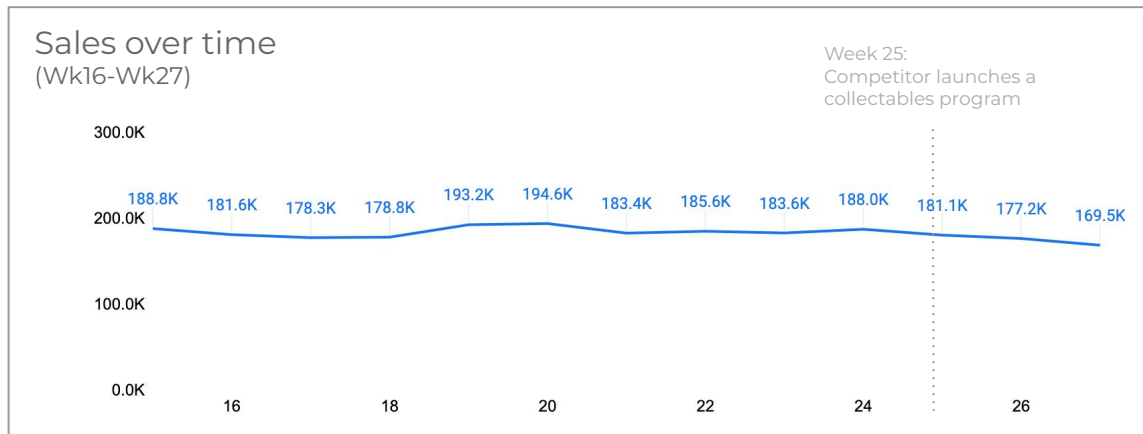
Case Study:

Loyalty program effectiveness

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Scenario

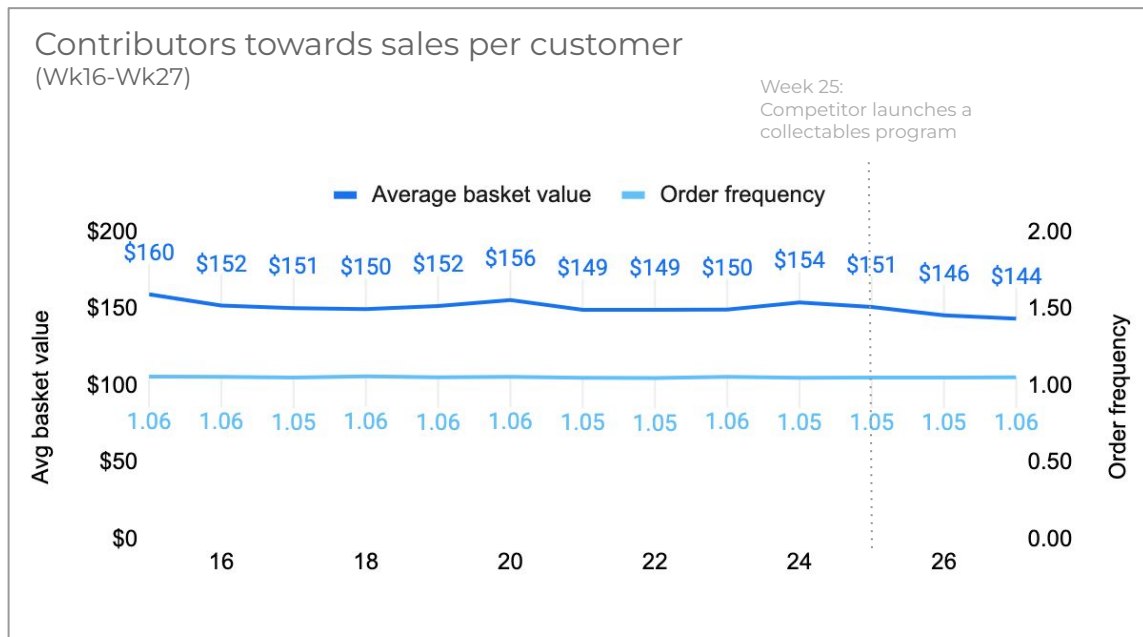
Declining sales since Wk25 driven from competitors offering



	Customers	Sales	Sales per customer	Share of wallet
Average trend per week prior to Wk 25	1,154	\$185,606	\$160.82	64.9%
Average trend from Wk 25-27	1,135	\$175,927	\$154.99	65.3%
Difference to trend	-1.7%	-5.2%	-3.6%	0.7%

- On average, **sales have dropped by -5.2% since Wk25** vs the YTD average run rate
- Majority of this drop is driven from a **decrease in our sales per customer -3.6%**, however volume of customers shopping has also decreased in the period by -1.7%
- Average **share of wallet**, however, has **maintained a steady level** with an increase of 0.7% over the averages of the two time periods

Decline in sales per customer being driven from a lower average basket value



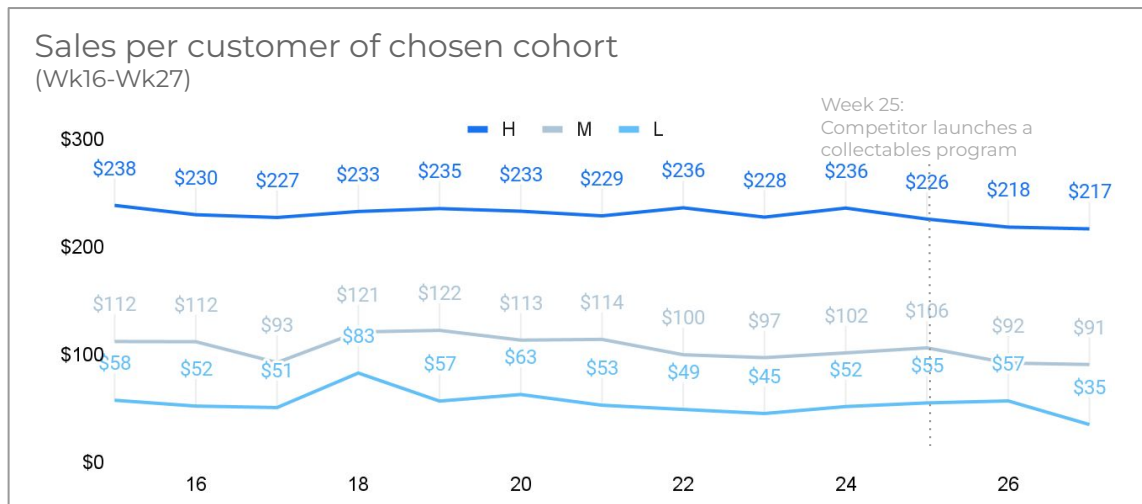
- The drop in sales per customer has two major contributors: Average basket value and order frequency
- **Average basket value has driven the decline**, on average down -3.4% in Wk 25-27 vs Wk 16-24
- **Order frequency remained flat in the time period** (only declining -0.2% in Wk 25-27 vs the average order frequency in W16-24)

Majority of sales decrease coming from family segments

	Number of customers	Average sales Wk 16-24	Average sales Wk 25-27	Difference in sales (%)	Difference in sales	Share of total decrease	Engaged	Share of High Value
Midage No Kids	94	\$8,119	\$6,823	-16.0%	-1,296	13.4%	75.5%	29.8%
New Families	89	\$13,137	\$13,598	3.5%	460	-4.8%	78.7%	68.5%
Older Families	296	\$51,285	\$48,273	-5.9%	-3,013	31.1%	72.3%	68.2%
Older No Kids	259	\$26,739	\$26,783	0.2%	44	-0.5%	61.8%	41.7%
Retirees	259	\$23,530	\$22,308	-5.2%	-1,222	12.6%	52.9%	30.9%
Unknown	18	\$10,258	\$9,247	-9.9%	-1,011	10.4%	61.1%	44.4%
Young Families	247	\$38,942	\$36,490	-6.3%	-2,452	25.3%	76.9%	62.8%
Young- No Kids	149	\$13,595	\$12,406	-8.7%	-1,189	12.3%	68.5%	36.9%
Total	1,411	\$185,606	\$175,927	-5.2%	-9,679	100.0%	67.7%	49.4%

- 56.4% of the decrease vs the average in Wk 16-24 has been **driven from two customer demographics, Older and Young Families**.
 - Share of customers that are **engaged** (opted into email or have the app) for these cohorts is higher than the average, (74% vs 68%) and also more likely to be **high value** (66% vs 49%) indicating these are customers we would want to retain
- The remaining 43.6% of sales miss is driven from No Kids, Retirees, and Unknown cohorts

Further breakdown of customer segments shows disparity in sales per customer



	Customers	Sales	Sales per customer	Share of wallet
Average trend per week prior to Wk 25	468	\$90,228	\$192.92	66.4%
Average trend from Wk25 on	459	\$84,763	\$184.67	67.3%
Difference to trend	-1.9%	-6.1%	-4.3%	1.2%

- While the average sales per customer sits at just under \$200, there is a substantial gap between the High and Medium/Low cohorts.
- Recommendation would be to **further segment the campaign** to truly incentivise the different cohorts.

Utilising a bonus reward to incentivise incremental spend

Overall campaign strategy:

Target audience : 543 customers (38% of addressable audience) who fall into the Older & Younger Families Lifestages broken down into two targeted customer groups

Goal: Increase average sales per customer to just over average levels before W24.

Campaign: Earn \$5 towards your next shop when you spend minimum qualifying amount (varying depending on target audience)

Cohort #1:

Target audience : High Value Older & Younger Families customers (357 customers)

Minimum order value threshold: \$250

Cohort #2:

Target audience : Low-Medium Value Older & Younger Families customers (186 customers)

Minimum order value threshold: \$125

Lifting the \$5 off the next shop offer would recoup roughly 84% of sales

	Cohort 1			Cohort 2		
	Customers	Sales / customer	Sales	Customers	Sales / customer	Sales
Average Wk 16-24	330	\$232	\$76,633	138	\$98	\$13,595
Average Wk 25-27	334	\$220	\$73,642	125	\$89	\$11,121
Campaign uptake in Wk 28	75%			50%		
Customers taking offer in Wk 28	251	\$250	\$62,688	62	\$125	\$7,792
Customers not taking offer in Wk 28	84	\$220	\$18,407	62	\$89	\$5,552
Wk 28 subtotal	334	\$243	\$81,094	125	\$107	\$13,343
Voucher cost			\$1,254			\$312
Sales less voucher cost			\$79,840			\$13,032
Incremental sales			\$6,199			\$1,911
Total incremental sales						\$8,109

Alternative strategies could be used to widen or lessen scope of campaign

Testing opportunities

- Testing \$5 off next shop vs 5x bonus points shop
- Alternative methods of communication (ie, email only, email and app, app only)
- Testing w/ higher/lower MOVs

Reduction in risk

Further segmentation of the cohort of Older and Younger Families into only High value segments would reduce the audience size to 357 customers with the incremental revenue still at \$6.2k

Increase in scope

If profitability was less of a concern and revenue was the main target, the overall campaign could be widened to all customers with a segmented "Mystery Shop" offer.

If users download the App or subscribe to email, they get a personalised offer according to their Lifestage and Value Segment.