

▶ LOYALTY MARKETING DATABASE IMPROVED COMPANY SALES FOR SPECIALTY RETAILER

SITUATION AND CHALLENGE

A specialty retailer and niche marketer with more than 1,000 retail stores faced the ever-important challenge of getting to know its customers' desires and needs. To learn more about its customers' purchasing habits and demographics and to enhance customer loyalty, this retailer launched a loyalty program. Through the program, it would be able to identify its best customers, reward best customer loyalty, and retain best customers through ongoing targeted communications.

Customers enroll in the program at no cost and earn points for purchases in participating stores. When a specific level of points has been earned, the customers are awarded coupons/certificates that can be redeemed for dollars off their next purchase.

Harte-Hanks was challenged with upgrading the database to coordinate the loyalty marketing efforts of 400 base stores, so participation could be rolled out among the 1,000-plus stores.

SUCCESS DEFINED

The key program measures were to increase the number of participating members, increase frequency of their shopping, and increase the efficiency of responses from direct communications with the loyalty members.

THE HARTE-HANKS ROI SOLUTION

The loyalty marketing database system developed by Harte-Hanks is tracking the ongoing transactions of 10 million members – including 36 million historical transactions and 27 million historical mail records from the past four years.

Now customer service – supported by both customer service reps and interactive voice response – and members' purchasing histories are directly linked. The retailer transfers member-based, point-of-sale information weekly via a secure Internet FTP connection. Processing includes assigning the proper point value based on the items purchased and any applicable special promotions. The loyalty database marketing system currently houses data at the customer transaction level for more than 10 million members.

HARTE-HANKS MAKES ROI HAPPEN

- Sales, as a result of direct communications with loyalty members, increased by 216%
- Sales by new members rose 65%
- Average purchase amount increased 6.4%
- Active loyalty members increased by 36% to more than 3 million shoppers

We make ROI happen.



SPECIALTY RETAIL LOYALTY DATABASE MARKETING SYSTEM

- Increasing store participation from 400 stores to more than 1,000 stores created a more robust and accurate view of customers
- Program results are now data-driven from ongoing transactions of 10 million loyalty members – including 36 million historical transactions and 27 million mail history records over the past four years

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Most of the functionality of the loyalty database is designed to maintain customer accounts and allow for customer communication flow. Specifically, the database provides for program enrollment; point accumulation; program status; reward issuance and redemption; customer service; marketing programs; program analysis; and accounting.

SUCCESSFUL RESULTS QUANTIFIED

Since the new database was constructed and successfully transitioned, the marketing department has gained greater analytical access. This has resulted in improved segmentation, better targeted mail (less mail volume that is more appropriate and a more cost-effective use of resources), with a corresponding 40% increase in sales concurrent with direct communications with members.

All initial program expectations were exceeded:

- Store participation has jumped from 400 stores to over 1000 participating stores
- In the first year of the new loyalty program, active members increased by 36% to more than 3 million participants
- During the initial program rollout, sales by new members rose 65%; sales as a result of direct communication with members were up by 216%; number of purchases increased by 42%; and average purchase amount improved by 6.4%

THE FUTURE – CONTINUOUS ROI IMPROVEMENT

The higher percentage of participating members gives the retailer a more robust view of its customer base. In addition to the improved customer retention strategies emanating from this effort, the merchandising department is leveraging customer profiles to identify merchandising and vendor coop opportunities.

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