Driving Sales from Improved Shopper Loyalty
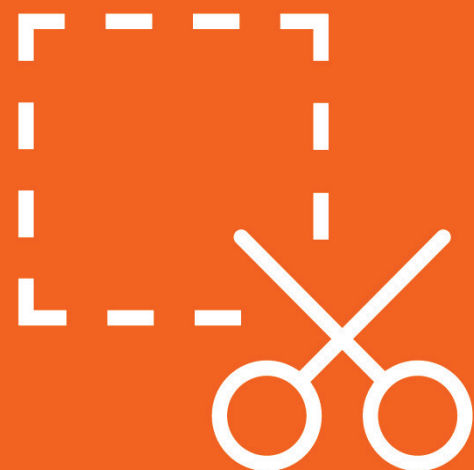
An Analysis of In-Store Electronic Coupons

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John Craig
Michael Samela

KANTAR RETAIL

Abstract

Consumer Packaged Goods retailers face an increasingly fragmented and competitive marketplace. There are many strategies to address this challenging landscape. Catalina's Customer Value Campaign program is designed specifically to meet this need. Kantar Retail performed a rigorous, independent analysis of this program to better understand its potential impact. This evaluation shows definitively that this type of program is successful for driving incremental sales by increasing shopper loyalty.

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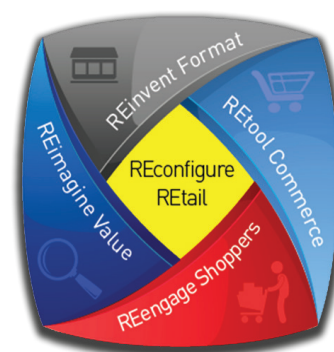
Making Loyalty Marketing More Effective

As the shopper and retailer landscape becomes more fragmented, retailers are searching for better ways to drive shopper loyalty and conversion. Those retailers that can re-engage shoppers, re-imagine value, reinvent formats, and re-tool commerce are well positioned to thrive.

More specifically, the need to re-imagine value is driving a trend toward more personalized pricing for shoppers. Catalina created the Customer Value Campaign to meet this need for retailers, allowing for targeted, personalized offers for each shopper.

In four steps, the program can direct hundreds of different offers to potentially millions of shoppers with the goal of driving increased shopper frequency and larger baskets.

1. **Model —** Each shopper is modeled into various clusters based on spending, frequency, basket size, and consistency. Further modeling is done to establish behavior change objectives.

2. **Plan —** Based on this modeling, hundreds of individual coupon offers are designed to create a unique mix of offers for each household, which can achieve the objectives.

3. **Execute —** Typically over a 13 - 17 week period, each offer is distributed to shoppers via the In-Store Media Hub at the cash register. Coupon offers are redeemable on the following shopper trip, only at that retailer.

4. **Monitor —** On a weekly basis, actual coupon fulfillment and distribution is compared to the plan, and adjustments can be made to manage performance against objectives and budget.

Changing Retail Environment

Source: Kantar Retail

CATALINA®

Catalina's personalized digital media drives lift and loyalty for the world's leading CPG Retailers and Brands. Catalina personalizes the consumer's path to purchase through mobile, online, and in-store networks powered by the largest shopper history database in the world.

Measuring Catalina's Customer Value Campaign

Kantar Retail evaluated multiple retailer programs, across three different sizes of retailers, using a robust Control Group vs Test Group methodology. In total, more than 250 million transactions were analyzed across 4.8 million shoppers.

- **Control Group** — A pre-determined hold-out sample of shoppers who did not receive any coupon offers (8%-10% of shoppers)

- **Test Group** — Shoppers who received at least one coupon offer were segmented into one of four Shopper Types based on shopping and spending behavior:

  - **Loyals** – High Frequency and High Spending

  - **Light Loyals** – High Frequency and Low Spending

  - **Heavy Occasionals** – Low Frequency and High Spending

  - **Occasionals** – Low Frequency and Low Spending

- **Campaign Period** — Sales transaction data (at the UPC level) was collected for Test and Control Groups during the weeks when coupon offers were distributed. All programs evaluated were 17 weeks long.

- **Pre-Period** — Sales transaction data for both Test and Control Groups was collected for a period before the Campaign Period, for a duration equal to the Campaign Period.

- **Post-Period** — All sales transaction data for both Test and Control Groups was collected after the Campaign Period and for a duration equal to the Campaign Period.

- **Outliers** — Shoppers were removed from the Test Group if their purchase behavior was more than 5 standard deviations from the mean of the Group.

- **Weekly Sales Average** — Analysis compared the weekly shopping frequency and sales average for each Test Group to that of the Control Group for the Campaign, Pre, and Post Periods.

About Kantar Retail

As the Retail and Shopper Specialists, Kantar Retail helps clients sell more effectively and profitably. We connect a set of world class retail and shopper assets with pragmatic, solution-oriented people to grow client businesses. Each year Kantar Retail publishes many industry leading studies, including the well-known PoweRanking® Survey.

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Measuring Catalina's Customer Value Campaign (cont'd)

After removing outliers, Kantar Retail measured sales per individual shopper for each Shopper Type in the Pre-Period, Campaign Period, and Post-Period. The spending during the 17-week Pre-Period became the baseline for any changes that occurred as a result of the campaign.

To understand the effect of the campaign, controlling for any changes in spending due to seasonality, Kantar Retail calculated the change in spending, Pre-Period vs Campaign Period, for the Control and each Test Group.

Then, in order to calculate the potential Sales Improvement attributable to the campaign, Kantar Retail compared the change in spending for the Test Groups (Pre- to Campaign Period) to the change in spending for the Control Group (Pre- to Campaign Period). This comparison between these changes ultimately became the campaign impact for each Shopper Type.

Shopper Types

Heavy / Occasionals 26%
Occasionals 29%
Light Loyals 19%
Loyals 26%

Source: Kantar Retail

Analytical Equation

Improvement = (TCP-TPP)-(CCP-CPP)

Where

TCP = Test Groups Campaign Period

TPP = Test Groups Pre-Period

CCP = Control Group Campaign Period
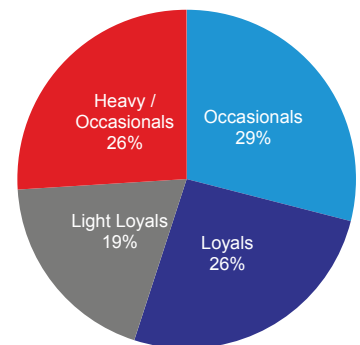
CPP = Control Group Pre-Period

This approach could be described as calculating the Change[1] in the Change[2].

[1] Campaign Period vs Pre-Period
[2] Control vs Test Groups

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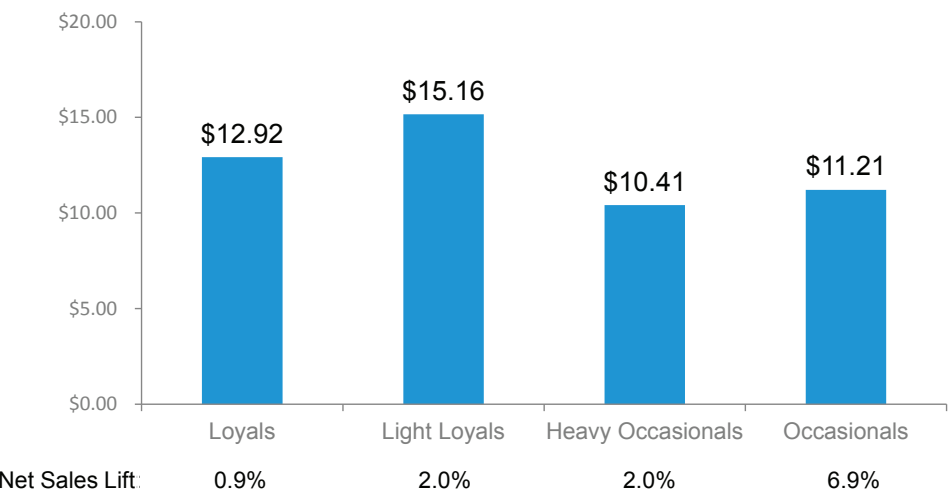
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Driving Sales Growth Through Improved Loyalty

Across all programs analyzed by Kantar Retail, Catalina's Customer Value Campaigns increased sales for the Test Group during the Campaign Period vs the Pre-Period.

Campaign Sales Improvement (Per Shopper)

Test Group vs. Control Group Sales Change, Campaign Period Vs. Pre-Period

	Loyals	Light Loyals	Heavy Occasionals	Occasionals
	$12.92	$15.16	$10.41	$11.21
Net Sales Lift:	0.9%	2.0%	2.0%	6.9%

Source: Kantar Retail

Sales increased by a weighted average of 1.8% for all Shopper Types. For the typical participating retailer, this growth was observed from more than 800,000 shoppers for 17 weeks – equating to a positive impact of over $10 million per program.

To better understand the underlying shopper behavior change that drove the observed increase in sales, Kantar Retail analyzed the number of trips each shopper took and the amount spent on each trip. By doing this, Kantar Retail measured the dollar sales impact of any change in trip frequency and basket size.
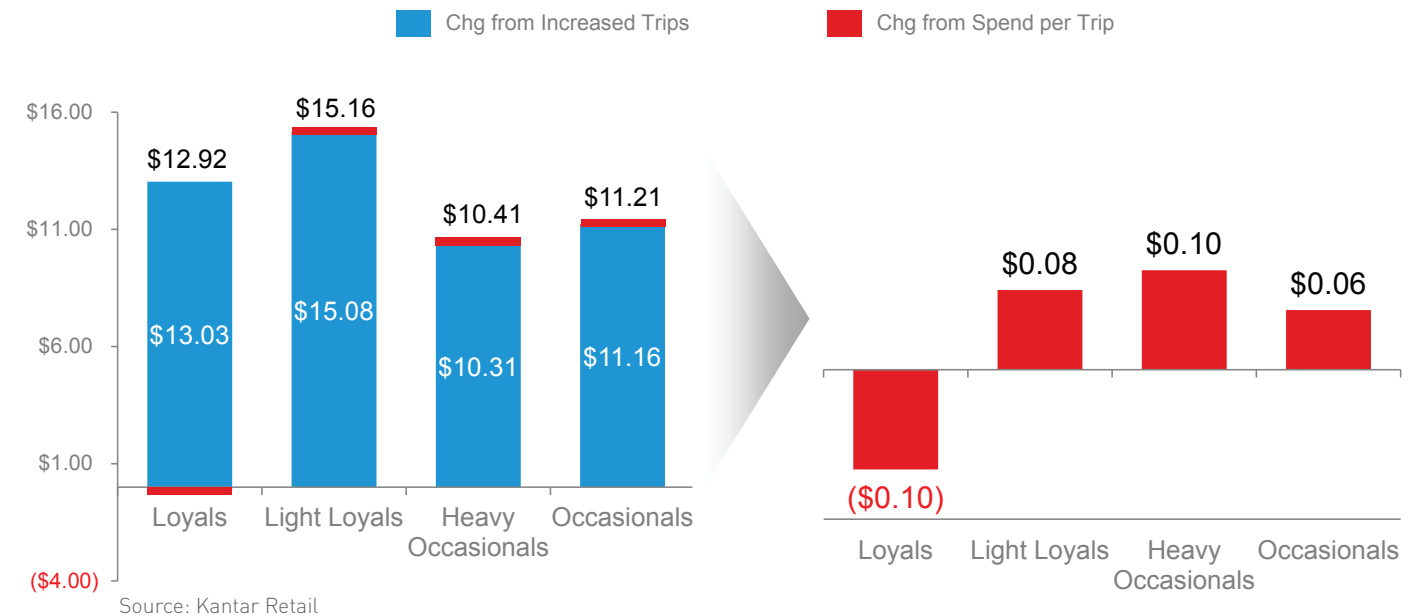
Incremental Sales

Based on a very large sample size, Kantar Retail measured a statistically significant improvement in sales for each Shopper Type. The Light Loyals had the highest absolute improvement, with each shopper spending $15.16 more than the Control Group during the Campaign Period. This was a 2.0% sales increase.

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Driving Sales Growth Through Improved Loyalty (cont'd)

Campaign Period Sales Improvement

Test Group vs. Control Group Sales Change, Campaign Period Vs. Pre-Period

Source: Kantar Retail

It is clear that an increase in trip frequency for all Shopper Types drove incremental sales during the Campaign Period – the program is creating more shopper loyalty for participating retailers. The change in Basket Size was more variable across all shoppers. In fact, for Loyals, Basket Size declined (image 2 above) . But even among these already loyal shoppers, Trip Frequency increased.

Kantar Retail also evaluated the long-term impact of the Customer Value Campaigns by evaluating the Post-Period sales, again Test Group vs Control Group.

More Frequent Visits

All Shopper Types demonstrated an increase in Trips during the Campaign Period. Participating Retailers are likely gaining market share and creating more shopper loyalty.
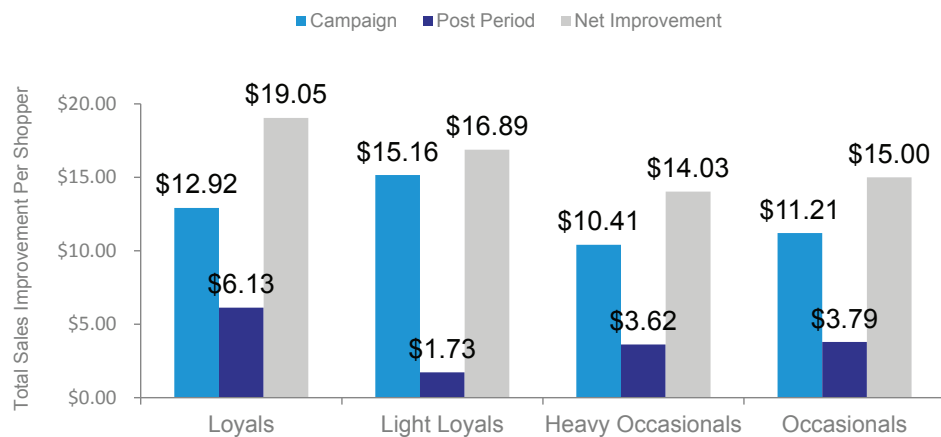
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Driving Sales Growth Through Improved Loyalty (cont'd)

Sustainability of Sales Improvement

Post Period Sales Improvement

Campaign ■ **Post Period** ■ **Net Improvement**

Y-axis: Total Sales Improvement Per Shopper ($0.00 to $20.00)

Loyals: Campaign $12.92, Post Period $6.13, Net Improvement $19.05
Light Loyals: Campaign $15.16, Post Period $1.73, Net Improvement $16.89
Heavy Occasionals: Campaign $10.41, Post Period $3.62, Net Improvement $14.03
Occasionals: Campaign $11.21, Post Period $3.79, Net Improvement $15.00

Source: Kantar Retail

Expanding Consumption

Participating retailers have shown an increase in shopper Trip Frequency and in most cases without a decline in Basket Size – Catalina's Customer Value Campaigns are expanding consumption at retailers.

As might be expected, there was a dip in Post Period improvement, most notably seen for the Light Loyals. This was the only group that showed a slight decline in the Post Period in any of the campaigns – which suggests the likelihood of some amount of pantry loading during the Campaign Period; however, this effect was diminished by the positive gains seen for Light Loyals across all of the campaigns analyzed. Overall, there was a continued improvement in both the Campaign and Post Periods leading to a net sales improvement of over $16 per shopper in the 34 week timeframe. This suggests that shopper behavior change was sustainable.

Catalina's Customer Value Campaigns Are Effective

Retailers have many options to address an increasingly competitive marketplace. Among those options is Catalina's Customer Value Campaign program leveraging in-store electronic coupons. Kantar Retail's analysis of these programs shows definitively that they are successful at driving incremental sales by increasing shopper loyalty.

For more information about this article, please contact:

John Craig, EVP Consulting, Kantar Retail
John.Craig@KantarRetail.com
203-834-4759

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