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Nectar's Home Movers' Kit brings together the best of data and analysis in an award-winning package. James Lawson finds out how they did it.

Transferring loyalty

Launched here in 2002, Nectar has rapidly become by far the largest British customer reward programme in the UK. Loyalty Management UK (LMG) is the company behind the programme, managing all the card-related operations, bringing together the sponsors' customer data and working on innovative promotions to make sure that its business partners can make the most of having access to around half of all UK households.

High volume

Nectar means big numbers. There are around 6000 retail outlets where the Nectar card can be used to earn points, and nineteen cards are swiped every second of the day. With around three million UK individuals moving house each year, keeping track of members on the move is essential to make sure that those collectors remain actively involved in the programme and that communications go to the correct address. But on top of that, LMG spotted an opportunity to take advantage of homemovers' well-known propensity to make extra purchases and also let them know where to find the closest sponsor outlets to their new house.

"We wanted to retain collectors who move house and drive higher cross shopping rates across different spon-

sors," says Louise Cantrill, campaign services manager at LMG. "Any communication has to be timely and relevant to take advantage of the increased spending when moving house."

To do this, LMG devised The Home Movers' Kit, an ongoing direct mail campaign triggered by and targeted at Nectar collectors who have recently moved house, encouraging them to remain actively involved in the coalition loyalty programme and to expand on the number of places where they shop and earn Nectar points.

Removed from the envelope, the fully personalised mailer folds out like a map with the covering letter on one side and the map, coupons and other information on the reverse. The map clearly shows the recipient's home in relation to the location of local Nectar sponsors such as Sainsbury's supermarkets and BP garages.

To provide a starting selection for the fortnightly mailing, LMG takes account of notifications provided by cardholders themselves and also uses external reference data such as the Royal Mail's National Change of Address file quarterly to locate and track homemovers. Only those that have moved in the last month receive the Home Movers' Kit.

"We capture the address change whether the customer contacts us via phone, mail or email," says



Cantrill. “Customer-notified data works best as they are the most engaged collectors. We also have to check that the address represents a real move and that they have moved more than a couple of miles from their old address.”

All the coupons within the pack are personalised using a wide range of segmentation criteria. These are based on the most likely or most profitable outcome, and whom the collector already shops with. For example, a collector may be an acquisition target for BP but a valuable retention target for Sainsbury’s, and so are treated accordingly; each sponsor has an individual segmentation. Shopping behaviour across the coalition is used to evaluate acquisition targets potential value.

A custom-built ESRI GIS appends the customer data with information about the proximity of the nearest sponsor locations. This goes into a series of automated segmentation scripts that select the most appropriate number of points and offer for each of the points-issuing sponsors.

In the case of retention targets, shopping behaviour prior to the move is taken into account (average transaction value, weekly spend quintile). The spend threshold for the offer is driven by the value of the customer to the Nectar programme. The number of points can be driven by the spend threshold (high spend-high reward versus low spend-low reward) and also proximity. If a collector needs to make a bigger effort to shop at a sponsor, the sponsor can increase the value of the incentive. Automated business rules pick the best offer selection out of 35 possible spend-reward combinations.

After much testing, the mailer now only goes to the top three quintiles. “They are by far the most receptive to coupons and other offers,” says Cantrill. “There’s a lot of very specific targeting going on.”

Response data from customers is fed back into the database via card-based transactions through any supported channel and, in the best traditions of direct marketing, there’s a constant cycle of test and learn. The segmentations are completely updated quarterly, with the sponsors included in the mailings and their

Bringing coupons and locations together helps Nectar cardholders find the sponsor outlets closest to their new home.

offers considered at the same time.

The Home Movers’ Kit is mailed fortnightly, combining data from a production database and a marketing database. The ESRI GIS mentioned above generates the customised maps using Navteq data, adding outlet locations and logos, and scaling the map appropriately to fit the page. The whole thing is put together by an automated four-stage production process, with Celerity taking the PDFs generated by LMG, standardising the data and getting the files ready to print.

The high volume of data involved is a big consideration, as is the cost. Hence the variable printing is only run in mono rather than colour. “We generate around 10,000 unique PDFs every fortnight,” says Cantrill. “If we did it in colour then the size of the PDF would increase considerably.”

Great results

Since its inception in April 2006, the Home Movers’ Kit has been an outstanding success in all respects. An average 20 per cent response rate has surpassed expectations and the sponsors have seen return on investment of over 300 per cent in some instances, due largely to the low cost of participation. The coalition marketing approach is vital for smaller partners for whom an initiative like the Home Movers’ Kit would otherwise be prohibitively expensive.

There have been measurable immediate and ongoing improvements in customer behaviour too. The average recipient generated incremental sales of £16 at sponsors; twelve weeks later, these recipients still show higher spend levels than the control group. Overall, the pack is estimated to generate £3.8m in incremental sales per annum for Nectar sponsors.

So far, the campaign has been complete separate from the rest of the cardholder communications, but with the success so far, testing is now going on to look at how effective mapping is as a part of the vast regular statement mailings (around nine million pieces quarterly).

“We have also thought of doing it as email but there’s much more cut-through with a piece of mail, particularly the map,” says Cantrill. “But we wouldn’t rule out doing it as email in future.”

In the most recent test, around 500,000 statements with maps aim to illustrate sponsor locations to those members located near city centres and are targeted at those with a currently low cross-purchase rate. Again because of the volumes involved for processing, LMG has picked the locations carefully and only 13 different maps are required.

“The Home Movers’ Kit has been a huge success,” concludes Brian Sinclair, managing director of Nectar, “It retains and re-energises Nectar collectors who have moved house, and drives new acquisitions for Nectar partners.” ■