

MBS Model Dramatically Improves Sales Event Response For Luxury Accessories Retailer



AN MBS CASE STUDY

MARKETING SUCCESS

Background

MBS' marketing database client, a renowned luxury accessories multi-channel retailer with strong brand equity, extends special promotional offers to a highly select group of "VIP customers" four times per year. The goal of the mailings is to reward customers who have demonstrated strong brand affinity, while at the same time respecting the brand's premium price positioning.

During the two years since the program's launch, the retailer's selection methodology had evolved, becoming increasingly complex as new "VIP" customer definitions were incorporated into the CRM strategy. Requiring multiple steps, the selection involved applying numerous, competing selection criteria, including but not limited to 12-month dollar spend, prior purchase history at special sales events, purchase recency and spend per visit to identify the target population.

Although this methodology resulted in positive ROI for the events, the intricate selection process put a strain on resources both at the client and at MBS. MBS also recognized that the client's current selection methodology was heavily weighted to recency and 12-month dollar spend, leaving open the possibility that loyal, profitable customers with longer tenure and purchase cycles were being excluded from consideration.

MBS, therefore, identified this as an opportunity to develop a model that would result in higher overall mailing productivity (sales per piece), without compromising the "VIP" customer definition or the brand equity, and a streamlined mailing work flow.

Solution

Employing an empirical approach, MBS built a response model that examined the importance of nearly 400 variables, including seasonality of past activity, cross channel purchases, promotion history, tenure on file, 24-month frequency, and many others. MBS considered both the development of multiple seasonal, event-specific models as well as the creation of a single model that could be used across all events. As a result of an exhaustive evaluation of a series of competing models, MBS concluded that a single model was well suited to predict response across all four events, thereby generalizing the modeling process and maintaining the efficiency of its execution. The model was then ready for live testing in which the following groups were measured head-to-head:

- 10,000 unique to existing selection methodology
- 10,000 unique to MBS model, selected top down

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Results

MBS' model delivered:

- **86% lift in response rates**
- **63% lift in number of units sold**
- **31% lift in sales per piece**

At -31%, average order size was the only key indicator that fell in the test. However, this result was more than offset by the response lift that was realized.

The retailer is planning to roll out the model. The client and MBS are projecting a reduction in mail quantities of approximately 10-20%. MBS estimates a potential savings of up to \$100,000 per year in reduced circulation costs.

ROI for the model, including both build and scoring fees, is expected to be 8:1.

Finally, to build on this success, the retailer and MBS are now considering modeling other mailings, including its high profile catalog, which strategically mails multiple times per year to more several million customers with each campaign.