

MBS Database Solution Enables Luxury Specialty Retailer's Segmented Contact Strategy



AN MBS CASE STUDY

MARKETING SUCCESS

Situation Analysis

A luxury specialty retailer with three transactional channels (retail, Internet, and a small outlet operation) managed each channel as a distinct line of business and maintained separate customer databases for each channel. While the retailer segmented customers according to spend, frequency, and recency in each channel, this siloed data structure limited the retailer's ability to understand the true value of each customer across all channels. And, because the retailer was unable to measure the affect of promotional activity in one channel on another channel, it was hindered in its quest to design strategies to maximize overall revenue.

Business Solution

The retailer engaged MBS to design and build an integrated database solution that aggregated revenue by customer and created a holistic view of activity across all channels. Using matchback technology and customized business rules, we devised a solution that improved the retailer's ability to attribute response and revenue to their valid promotional source.

The new holistic view enabled MBS to conduct a detailed customer profile and segmented response analysis that have served as a foundation for a new approach to multi-channel direct marketing communications and promotions.

Results

MBS' customer profile, which took into account activity in all channels, changed the retailer's view of their "best customer." Previously, they defined their best customer as a househanded "couple" with purchases in both men's and women's categories. Today, a new "best customer" has emerged - individuals who are characterized by their *multi-channel* purchase activity, frequency of purchase, and overall value. It has become clear that while the Web is the fastest growing channel, it is *driving* retail sales, not cannibalizing them.

With this knowledge, MBS assisted the retailer in the developing a coordinated direct mail and email contact strategy with the goal of driving multi-channel purchases. Three distinct customer segments were targeted:

- High dollars/high frequency customers.
- Medium dollars/medium frequency customers.
- All other active customers.

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Higher value segments received more frequent communications and some mailings were targeted by gender and/or product category. All communications presented the customer with the option of buying in either retail or on the Internet.

The retailer's segmented strategy has paid off. In one year:

- The number of all customers on the marketing database increased by 24%.
- The number of customers who have purchased in multiple channels increased by 223%.
- Web revenue grew by 52%.
- Web Average Order Value (AOV) increased by 7%.
- Retail revenue grew by 21%.
- Retail AOV increased by 4%.
- The retailer increased direct mail circulation by 300% without sacrificing response rates.

The retailer has engaged MBS to take the segmentation process to the next step by creating a number of predictive models to meet seasonal marketing goals.