



# Motivating the Consumer to Act

Creating New Value  
by Understanding Consumer Behavior

*The Economics from Building  
a \$200 Million Solution*

*White Paper  
June 2011*

# Creating \$200 Million in Value

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## Summary

Over the past two years, one of the world’s largest retailers has significantly grown sales from new store openings by incorporating a next generation marketing program pioneered by Visant Marketing Services. The solution, which began with just two stores, is now a permanent part of the retailer’s marketing strategy for store openings and re-openings. To date, the program has supported the opening of over 750 new stores and will help launch more than 500 openings in 2011. The campaigns have created more than \$200 million in value and almost \$500 million in sales.

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## Topline Results

Visant Marketing Services enabled the retailer to significantly exceed its performance objectives by increasing consumer awareness and by offering shoppers a compelling incentive offer to visit the store and buy merchandise at the targeted location. Equally important, the retailer is able to collect consumer information and insights at offer activation and redemption at the point-of-sale, either online or at bricks-and-mortar locations. The program’s success in creating the intended consumer behavior led to some of the most highly successful campaigns the retailer has ever experienced. The return on investment included:

Of the 25 million consumers contacted, 11 million opted into the campaigns
Of those 11 million, 9 million shopped within a week of receiving an offer, and 93% bought by the end of the campaign
These shoppers spent an average of \$43, or 35% more than consumers who received other types of new store offers
The campaigns helped generate nearly a half billion in sales
More than \$100 million in profit margin was generated
The program created consumer insights at the household level of customers and created a level of awareness valued at more than \$100 million.

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## Figuring Out The Business Challenge

All merchants want results of this magnitude. By understanding the business challenges, the retailer, its payment network processor and Visant Marketing Services developed a highly effective strategy to reach the target audience and then motivate consumers to shop at the new location. An ongoing program was then launched to acquire and develop these consumers. The campaign generated detailed buying information that was tracked and analyzed by the campaign team. The consumer insights obtained from the offer activation and subsequent sales were then applied to successive initiatives. Those campaigns included a range of seasonal promotions, such as Christmas and back-to-school events.

## Asking The Right Questions

In developing the solution, the team sought to create new ways to enable the retailer to genuinely listen to consumers. We also looked at the retailer's business from the top down to determine the most effective way to address its objective. Based on our experience with a broad range of retailers, it was clear that the retailer had to answer several fundamental questions to improve the performance of new store openings. Those questions included:

How does the retailer identify the right customers and let them know about the new store?

How does the retailer motivate these consumers to come to the new store?

How does the retailer get them to spend once they are at the store?

How does the retailer lure them back and increase their spend?

How does the retailer motivate consumers to shop in multiple departments within the store?

Visant Marketing Services and the retailer determined that the pool of potential consumers in close proximity to the new store had its own store characteristics and surrounding demographics. Because the retailer sells many types of merchandise and food products, the sophisticated data modeling typically used to target prospective customers is planned for subsequent campaigns. In most instances, extensive data modeling is critical to identifying multiple customer segments by age, income, previous shopping history, geography, among many other factors.

## The Power of Data Modeling & Data Collection

Data is leveraged three times during every campaign to deliver outstanding results.



- > Data modeling and scoring zero in on candidates most likely to respond or buy
  - Data analysis identifies the consumers most likely to act
  - Precision targeting improves relevancy of the offers and the consumer experience



- > Information collected at offer activation creates insights about consumers
  - Consumers provide name, address, email address, mobile phone, shopping and buying preferences to activate offer
  - Information is added to consumer profile and helps improve targeting of future offers



- > Sales transaction data generates more insights about consumers
  - Purchase information and order size among other information is appended to consumer profile to create future opportunities

After identifying the target audience, an offer strategy was created that would move consumers to action. Based on previous campaigns, analysis showed that a \$5 reward on any purchase was sufficient to motivate consumers to go to the store and spend.

The campaign was highly effective for three key reasons. First, the offer, which came in the form of a reward card, was convenient. It was mailed to each person's home. The card looks and feels like a traditional gift card, with an encoded magnetic stripe. Second, the offer could be used immediately at the store after consumers activated the offer from home, either online or by phone, in a few easy steps. Third, the offer was relevant to consumers. The offer redeemable at a local store was convenient and actionable and thus personally relevant and compelling. In this particular case, the \$5 offer was strong enough to drive consumers to the store and shop.

### Outstanding Bottom Line Results

The results of the program reconfirm one of the fundamental laws of marketing: Response and conversion rates are highest when offers are relevant, instantly redeemable and easy to use. Of the 25 million people who received offers from the retailer since the program's inception, 11 million activated the card. The activation required the customer to provide name, age and address. The response rate of approximately 45% far exceeded the response rates of similar new store promotions, which are 5% for the typical retail campaign. The extraordinary activation rates were also critical from another important reason – activation translates into consumer buy-in. When a consumer makes an investment of time, more often than not they are likely to shop.

The strong consumer buy-in had the intended effect. Of the 11 million respondents, 9 million shopped within a week. And those who shopped spent an average of \$43, or 35% more than the typical spend of \$29 at a new store opening. Those results produced more than \$500 million in sales and a profit margin of more than \$100 million.

*“The immediacy and relevancy of the offers were the key reasons the campaign was so successful,” said John Berger, Senior Vice President, Visant Marketing Services. “In most instances, consumers have to wait weeks or even months to get a coupon or a discount in some form. In other instances, the offers never reach consumers because they didn’t see the newspaper ad or hear the radio spot. Or, the offer was totally. Our program delivers everything the retailer, merchant or service provider could hope for: Relevant offers, instant gratification for the consumer, ease of use, and consumer insights that can further increase ROI.”*

## A Solution Like No Other

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<p><b>1</b>  <b>Define Objective</b></p> <ul style="list-style-type: none"> <li>&gt; What is the business goal?</li> <li>&gt; What behavior do we want to achieve?</li> </ul>	<p><b>4</b>  <b>Offer Distribution</b></p> <ul style="list-style-type: none"> <li>&gt; What is the call to action?</li> <li>&gt; What is the message?</li> <li>&gt; How do we manage the consumer experience?</li> </ul>
<p><b>2</b>  <b>Build Consumer Profile</b></p> <ul style="list-style-type: none"> <li>&gt; How do we identify the best prospects?</li> <li>&gt; Data modeling establishes consumer profile</li> </ul>	<p><b>5</b>  <b>Consumer Activates Offer</b></p> <ul style="list-style-type: none"> <li>&gt; Computer, IVR, Call Center, or Smart Phone</li> <li>&gt; Consumer profile updated</li> <li>&gt; Consumer insights gained</li> </ul>
<p><b>3</b>  <b>Campaign Strategy &amp; Tactics</b></p> <ul style="list-style-type: none"> <li>&gt; What is a compelling offer?</li> <li>&gt; Is the offer relevant to the consumer?</li> <li>&gt; How will offer bring consumer back?</li> </ul>	<p><b>6</b>  <b>Desired Behavior Achieved</b></p> <ul style="list-style-type: none"> <li>&gt; Online, In Store, or Call Center</li> <li>&gt; Consumer profile updated again</li> </ul>
	<p><b>7</b>  <b>Develop Next Campaigns</b></p> <ul style="list-style-type: none"> <li>&gt; Analyze initial results</li> <li>&gt; Target highly responsive consumers</li> </ul>

### The Other Part of the Value Equation

Robust sales and profits were not the only value created. The program also helped raise consumer awareness of the new stores, while collecting valuable data during offer activation and at the point of sale. Together, these two components of the program created another \$50 million in asset value. The value resulted from having identified the right consumers and in creating a database of rich household data.

The retailer could have easily expanded the information collected at activation and created a customer database with even more detailed information and insights. The retailer could have gathered information about consumers such as: “Do consumers prefer to shop online or in store? What kinds of offers would consumers be interested in receiving in the future? Would consumers be interested in receiving an offer if they referred a friend?” The flexibility of the program allows the question set to be customized to the specific information needs and goals of the marketer.

Data collection upon activation—even if the consumer doesn’t shop—is also important. Consumers who do not use the card after activation can be sent a follow-up reminder. In this particular program, reminder campaigns were not necessary because sufficient awareness was achieved through the initial contact with the mailer. But reminder campaigns are usually very effective. With accurate, up-to-date contact information and the consumer already invested in the offer, reminder campaigns can improve results substantially.

Data collection at the point of sale is the third time data is compiled to create a more detailed customer profile. Consumer information collected at the moment of the sale can further add to the retailer’s knowledge of consumers. The proprietary technology platform from Visant Marketing Services is integrated with the transaction processor and payments network to feed purchase data back into the customer profile. When the consumer swipes the reward card at the point of sale, the information is captured and stored. The retailer can look inside the customer’s shopping cart and understand purchase patterns and preferences. Although this program did not track the individual items purchased, the program can be designed to perform detailed item tracking. By collecting data at three touchpoints during the campaign, marketers can build rich customer profiles and produce ongoing customer insights that can be monetized.

## Increase The Lifetime Value Of Customer Relationships

The information collected throughout the program produced a valuable database for the retailer that can be used to answer the remaining two questions:

How can the retailer get consumers to come back and spend more?

How can the retailer incent consumers to shop in multiple departments within the store?

Detailed customer profiles developed in these campaigns created new opportunities to deliver highly targeted, highly personal offers that increase relevancy and frequency. For example, if the consumer purchased lawn and garden products at the new store opening, that previous buying behavior suggests the consumer is a good candidate to receive a Spring home-and-garden promotion. Because the consumer has already demonstrated an interest in those products, there's a higher likelihood of response and conversion in future campaigns. Likewise, if a consumer purchased sporting goods or housewares at the store openings, offers that match those interests also have a higher likelihood of success. Each time an offer leads to a positive response and conversion, more about the consumer's behavior is known and can be used in successive campaigns.

There are other opportunities to increase the lifetime value of customer relationships. The reloadable offer option is a proven tool to increase frequency. The reloadable feature enables merchants to set triggers to add more value to the card after the initial offer is redeemed. Once the card is in the wallet of the consumer, it is a valuable asset that can continually deliver offers to keep shoppers coming back.

Just as important as identifying the retailer's ideal or most profitable customers is understanding those customers who do not match the retailer's target profile. Data modeling, in addition to data collection during offer activation and at the point of sale, can clarify and define the attributes of those type of customers. In the future, programs can be developed that avoid or limit the investment in market segments that do not optimize the return on investment.

### Powerful Economic Model

The power of the solution is not only in its high response and conversion rates, and insights into consumer behavior. It's also in its economic model, which can be measured throughout the process and brings a new level of value to marketing.

The campaigns managed by Visant Marketing Services can be evaluated and monetized based on their effectiveness in three areas: Increasing awareness, creating a customer database, and generating initial and repeat sales. This multi-part value proposition is fundamentally different from an advertising or pricing model, when

only one dimension—cost—is measurable and dominates the discussion about economics. In fact, value was created at multiple times during a campaign for this retailer:

1. At offer activation, when the retailer collected consumer information it did not have
2. At redemption, when the offer directly resulted in sales
3. When the consumer didn't activate the card, but shopped anyway after learning about the new store
4. When a consumer activated the offer and didn't use it, which created brand awareness and data, even if there was no immediate sale
5. When a consumer activated the offer, shopped without the card and then returned to the store on a subsequent visit to redeem the offer

Because of the program's ability to track response and conversion, metrics drive the campaign planning process. After an initial campaign, response and conversion can be improved by changing the offer, target audience or both. Real-time measurement facilitates test-and-adjust marketing to constantly improve campaign yield. Most importantly, retailers and merchants can know with certainty not only what a campaign costs, but also the value that was created. In this particular instance, the outsized value generated by these campaigns has fundamentally changed the way this global retailer executes its marketing strategy.

### **The Bottom Line**

Visant Marketing Services delivered a material impact to the retailer's results from new store openings. The programs have created \$200 million in value from new sales, through an enhanced customer database and in generating awareness of new or reopened stores. The retailer's results confirmed the power of a solution that uses data throughout the process to continually be smarter about the consumers who should be targeted and to achieve the intended consumer behavior. As a result, this solution from Visant Marketing Services is now being used to support most of the retailer's new store openings, and it remains one of the most effective marketing programs the retailer has ever executed.

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## About Visant Marketing Services

Visant Marketing Services is a provider of customer acquisition and development solutions to the world's largest mass retailers. We increase sales and customer engagement by creating marketing programs that deliver thousands or millions of buyers, not shoppers, and generate a material impact on your financial results. Our solutions identify your best customers; develop offer strategies that motivate them to a specific action; track and measure their responsiveness; and develop behavioral insights to increase the lifetime value of customer relationships. Visant Marketing Services is a division of Visant Corporation, one of the world's leading providers of marketing and publishing services. Visit [www.visantmarketingservices.com](http://www.visantmarketingservices.com), call 1-888-476-9867, [innovation@visantmarketingservices.com](mailto:innovation@visantmarketingservices.com).



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