



PLAYING WITH CUSTOMER LOYALTY

How Aimia's Loyalty Analytics team
uses customer segmentation
to drive loyalty

By Peter Gleason
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Solutions

AIMIA
INSPIRING LOYALTY

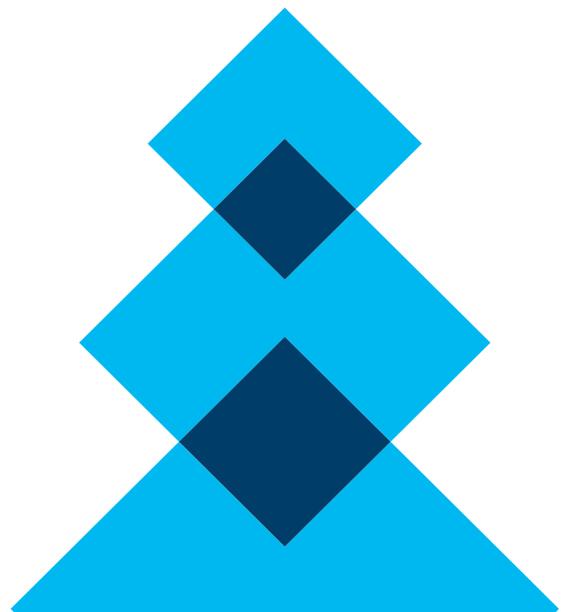
Summary UK-based online retailer Play.com engaged Aimia to build a customer segmentation strategy that would improve the effectiveness of its email communications. We designed the customer segments, devised a dynamic communications plan and tested the results over a six-week test period. The trial resulted in demonstrable incremental revenue that demonstrated the power of transaction data in action.



> The Challenge

Play.com, is a UK-based online retailer of DVDs, CDs, books, gadgets, video games, music downloads, and other electronic products, as well as clothes and accessories. Founded in 1998, Play.com is now one of the biggest online retailers in the United Kingdom.

Play.com asked LMG Insight & Communication's (now operating as Aimia) team to leverage its customer insight capabilities to help them enhance the ecommerce site's performance. The site's existing communication stream consisted of a "one size fits all" bi-weekly email newsletter sent to every one of the site's seven million contactable customers. The challenge for LMG Insight & Communication (now operating as Aimia) — build a customer segmentation strategy that would build loyalty, drive engagement and increase profits.

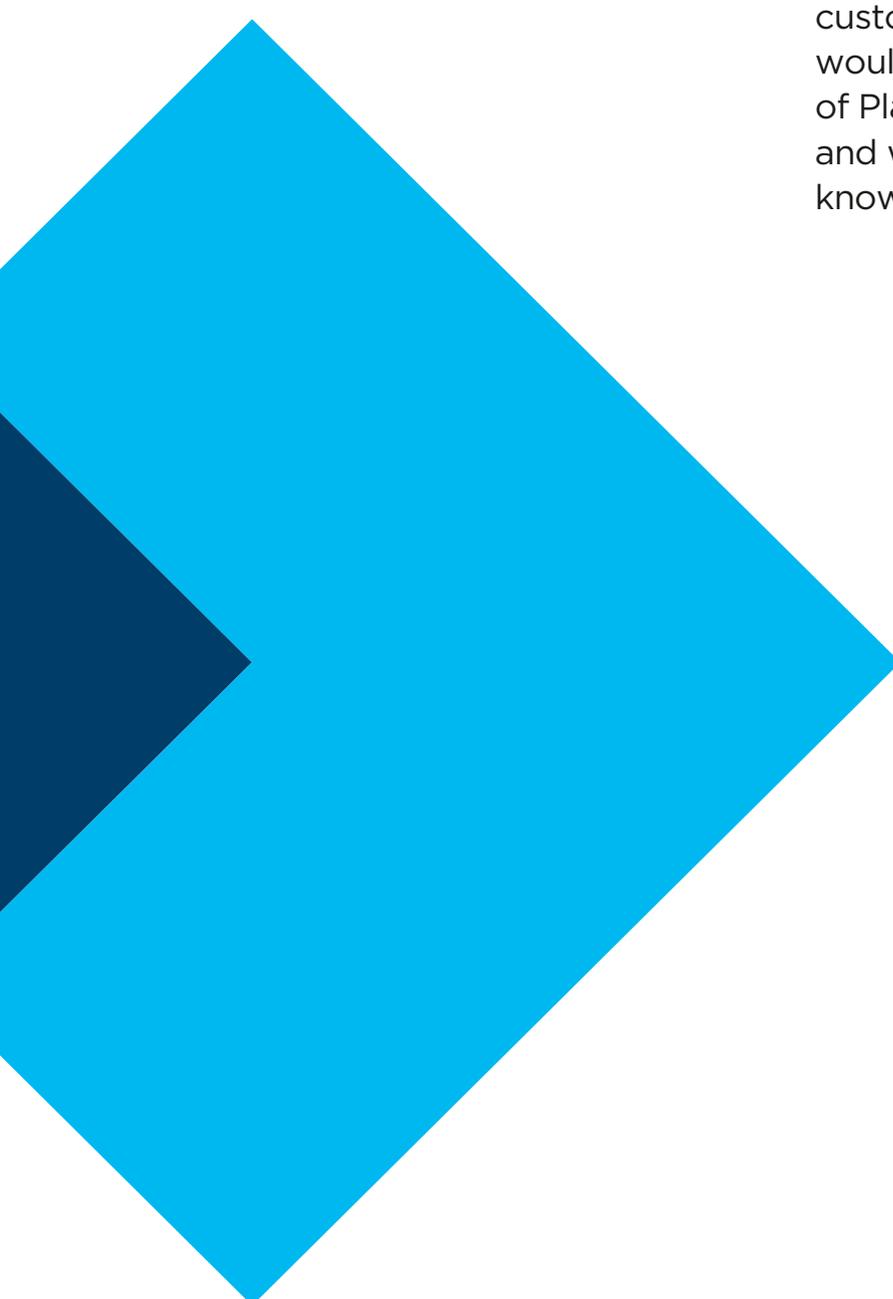


The Opportunity Play.com hoped to unlock the profitability of its customer file by engaging LMG Insight & Communication (now operating as Aimia) to answer the following key questions:

- > How do we improve the impact of our bi-weekly communications?
 - > How do we increase response rates, average spend per customer and customer retention rates?
 - > How do we make the best use of our existing newsletter without disproportionately increasing costs?
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A core principle of loyalty management holds that loyalty increases as marketing relevance increases—if you market to customers in smaller clusters based on their value, potential, life stage, stated preferences or their purchase history, the increased value of the resulting offers to individual consumers will result in profitable behaviour change.

We knew in theory that a robust customer segmentation strategy would enhance the effectiveness of Play.com’s communications — and we were eager to put that knowledge to the test.



The Solution By analyzing Play.com’s customer transaction data to understand the behaviour of different clusters of customers, we were able to group together discrete customer segments with similar shopping habits and interests. First, we created “Pen portraits”—descriptions of key customer segments that include age and other ‘hard’ variables as well as softer dimensions such as attitudes, appearance and lifestyle. Then we used these new customer segments to develop more customised methods of contacting them.

This analytics work helped us to design a communication plan that allowed Play.com to target these customer segments with relevant product offers—for example, customers who usually purchased computer games would be sent offers for newly released games or gaming consoles. Our segmentation allowed us to drill down into specific customer variables such as “music preference” to send offers that would appeal to customers at the level of the individual.

Next, we conducted a test email campaign over six weeks. We replaced the existing generic newsletter with dynamic communications designed to appeal to the four main customer segments we had created.



The Results Thanks to our segmentation strategy, Play.com could now see the power of transaction data as a marketing tool in action. We also demonstrated how you can track and analyse individual marketing campaigns to gauge their ability to influence customer behaviour and build loyalty. Here's a look at our high-level results:

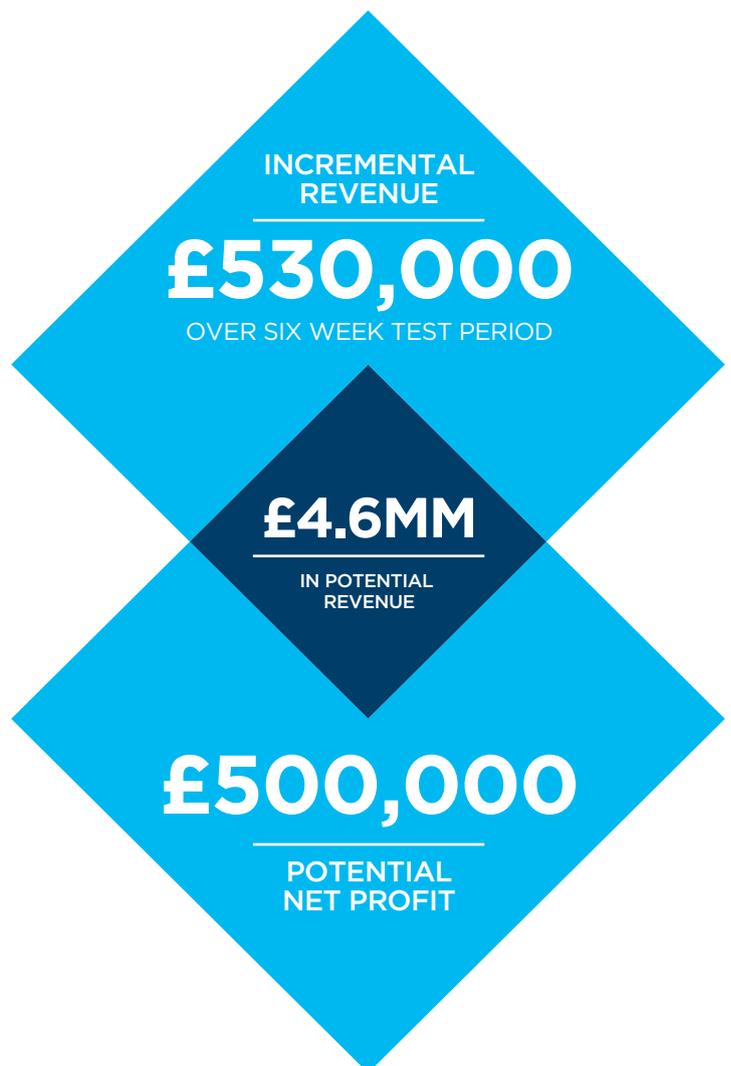
> **Incremental Revenue**

The test campaign was a great success, producing incremental revenue of £530,000 over the six-week test period.

> **Incremental Net Profit**

We also projected that, if rolled out over a full year, the new communications plan would provide additional revenue of £4.6 million and deliver £500,000 in incremental net profit.

Our work provided a platform for Play.com to use their new segmentation strategy to increase repeat business, win back lapsed customers and reduce communication opt-out rates. The project demonstrated a classic exchange of customer information for increased value that leads to stronger customer loyalty. Who says that work and play can't mix?



Our Company We are a global leader in loyalty management. Our unique capabilities include proven expertise in building proprietary loyalty strategies, launching and managing coalition loyalty programs, creating value through loyalty analytics and driving innovation in the emerging digital and mobile spaces. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of everything we do. We are Aimia. We inspire customer loyalty. Visit us at aimia.com.

About the author



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As President, Intelligent Shopper Solutions, Peter is responsible for driving the overall development of Aimia's Loyalty Analytics products and services for retailers and Consumer Packaged Goods (CPG) suppliers globally. Prior to assuming his new role with Aimia, Peter was the Managing Director of Aimia's LMG Insight & Communication (I&C) business, which he helped build from scratch beginning in August 2007. In this role, Peter led the development of I&C's groundbreaking Self Serve retail analytical tool, which helps Aimia's retail clients including Sainsbury's, CVS, Sobeys, Coles, and Migros, as well as over 150 CPGs, derive actionable insight from shopper data to make better strategic business decisions. Under Peter's direction, Aimia's Intelligent Shopper Solutions business now boasts over 200 employees operating in eight countries.

Prior to joining Aimia, Peter was Managing Director of Retail Media at dunnhumby, the customer-marketing consultancy owned by Tesco plc. Peter held several other roles at dunnhumby, including Head of CPG and Commercial Director.

Peter's industry expertise is unrivalled, with additional experience working with Catalina Marketing UK Ltd, and well-known brands Kimberly Clark, Mars, and Gillette. Peter has thorough knowledge of retail and the CPG industry, with 20 years experience providing consulting services around Category Management, Marketing, CRM, Retail Media, Supply Chain, Market Research and Loyalty Systems.

