

Daxon

LINKING CUSTOMER INSIGHT TO CAMPAIGNS FOR INCREASED RESPONSE

DAXON IS PART OF REDCATS, THE 3RD LARGEST HOME SHOPPING ORGANISATION IN THE WORLD, AND HAS A HISTORY THAT STRETCHES BACK TO 1947. AS A NICHE BRAND WITH CHALLENGING GROWTH TARGETS, DAXON NEEDED TO ENHANCE THE PERFORMANCE OF ITS REACTIVATION MAILING ACTIVITY, BUT THIS WAS COMPOUNDED BY DIFFICULTIES IN OBTAINING SUSTAINABLE AND ECONOMIC VOLUMES OF COLD DATA.

The Challenge

Daxon are constantly striving to optimise campaigns to find efficiencies and were looking to identify a better way of cherry-picking reactivation targets rather than using a purely recency-driven selection approach.

If there was to be a radical change in how prospects were selected within the campaign, Daxon wanted complete confidence that their campaign targets would be met and the business performance would not be affected by testing this new approach.

Recent brand analysis had provided Daxon with a greater understanding of their customers, and had also highlighted the need for Daxon to connect with customers on an individual level. Daxon knew that this would be particularly important when trying to engage customers who no longer bought from the brand. Transactis outlined a strategy with Daxon to create a selection methodology that could identify individuals within their lapsed file who:

- Had an appetite for the products they sold
- Were still active buyers
- Matched the profile of their best customers
- Had a high likelihood to respond to Daxon's offers

Daxon recently worked with Transactis to test pooled transactional data from the home shopping sector to get an improved view of recency, and the campaign team at Daxon saw that having market-wide buying behaviour alongside a view of their own customers would be the ideal way to achieve their goals.

In order to gain a full understanding and make an informed decision to switch selection strategy it was essential to accurately predict the likely impact. To achieve this, Daxon provided all campaign contacts from the previous year's Spring and Summer reactivation activity, along with full details of Daxon's customer transactions from the previous few years.

Armed with this information on previous customer activity Transactis created a 360° view of Daxon's customer base across campaign history, customer data and pooled transactional data from TransAction, gathered from across the UK's largest retailers.

Our analysts applied over 1,000 transactional, lifestyle and demographic variables (e.g. purchases by fashion category, multi-brand shoppers, payment method, value of purchases, frequency of purchase, income and occupation) to the data to identify the most predictable variables for value, buying from Daxon and response to Daxon campaigns.

In finding the most predictive variables, Transactis were able to create a scorecard based on their optimal application. Based on individual customer scores derived from the scorecard the analysts segmented Daxon's lapsed file into deciles – which were then applied to the previous year's campaign selections to identify the difference that the scoring would have made to the previous year's campaigns.

Compared to the previous year's selection, where lapsed customers were targeted primarily on the time since their last purchase, we were able to demonstrate that by using the optimised selection significant economic improvements could be achieved without compromising volumes.

The analysis presented a compelling case to adopt the selection strategy and the Spring and Summer campaign was launched for 2010 – with a representative control group selected from the previous criteria to measure success.

Laura Holdsworth, Commercial Planning Manager at Daxon, determined that for the project to be successful, the selections from the optimised data would need to out-perform the control group selected on the previous criteria.

To ensure representative comparisons were made and performance risks were kept to an acceptable level, data was selected accordingly:

- 44% based on previous, recency only criteria – this was the control cell
- 56% based on optimised selection using transactional variables and a complete view of customer behaviour

Success would be established after the mailings completed at the end of the season.

The Results

After several phases of mailing the performance of each mailing cell was compared for response rates. A clear advantage was displayed for the optimised selection at every stage of the mailing.

Overall, the optimised selection out-performed the traditional recency based selection by 24%. In the first phase of mailing the optimised selection achieved a 19% better response and the second phase achieved a 28% better response.

Laura Holdsworth commented, "We are always looking for ways to improve the performance of our campaigns, but this project has given us a huge boost. We knew that linking campaigns to customer insight should give us better results, but selections based on recency had always performed better. By looking at a complete view of customer behaviour across the market we have now been able to prove that better customer knowledge drives better performance."

All marketing theory points toward the most successful activity being based on the best possible understanding of customer behaviour. However, in the pragmatic commercial world the most successful activity is the activity that delivers the most profitable results.

Direct marketing is governed by testing and making choices based on hard commercial fact. Huge leaps forward are seldom achieved – instead rigorous testing matrices ensure steady progression and continual improvement. Within this framework this project has produced a proven improvement in performance – and through rigorous pre-work sufficient confidence was achieved ahead of mailing to allow a new methodology to deliver a tangible performance increase across the whole campaign.

By using factual, transactional data to understand customer behaviour – and more importantly provide a complete view of customers for whom Daxon had had no transactions for some considerable time – it was possible to target customers based on how they actually behave. The success of this project provides hard commercial proof of the value of customer understanding – and will guide Daxon's future efforts to continually improve campaign performance.