

## **Perfect Partners: VDP Personalization for Loyalty Campaigns**

By Frank McPherson

In my previous article, “Estimating Success for VDP Campaigns,”\* I reviewed a landmark study by Caslon & Company (“Response Rate Report: Benchmark Information for Relevant Marketing Programs,” December 2006).

This important study was the first attempt to benchmark the “typical” increase in response rates that relevant personalization can provide as compared to static campaigns. At the time, we looked at examples from direct order, fundraising, and lead generation campaigns from the Print on Demand Initiative case study database to illustrate the Caslon results. In this article, we’ll look at the effect of personalization on loyalty programs in light of the Caslon study results, as well.

Caslon defines loyalty campaigns as “campaigns that promote interaction with existing customers.” Since the goal is to cultivate a long-term relationship rather than an immediate sale, loyalty campaigns can have very high response rates. So just imagine what happens when you pair it with personalization!

Let’s look at a couple of examples from PODi archives.

### **Acorn Awards Program**

Acorn Stores, an upscale retail store offering women’s designer clothing, wanted to increase the number of visits by target segments, the spend per visit, and build stronger relationships with its loyal customers.

To achieve these goals, it developed the “Acorn Awards” customer loyalty program. By spending \$500 or more with Acorn, customers would qualify for a membership card entitling them to a 5% discount on merchandise, special discount coupons, and free shipping on purchases. The 50,000-customer database was segmented into three groups: 1) those who had already reached the target spending level; 2) those who had spent between \$100 and \$500; and 3) those who had spent less than \$100.

Acorn developed personalized brochures with relevant messages and offers for each target group. The first tier received a plastic membership card attached to a personalized brochure. The second tier received a personalized mailer promoting the program and informing each recipient of the amount of additional purchases needed to qualify for the membership card. The third tier was sent a personalized brochure promoting the benefits of the loyalty awards program.

During the eleven-day promotion period, 20% of tier 1 customers participated in the program and averaged \$245 in new purchases; 11% of tier 2 customers participated and increased their average spend from \$15–\$70 per month to \$140. Inconsistent shoppers, the third tier, enjoyed a 3% participation rate, with an average spend of \$115 each. Overall, same-period sales for the entire chain rose 20% over the previous year.

### **CIGNA Retirement Statements Build Loyalty**

Transactional marketing using personalized statements are one of the most powerful applications for print personalization. CIGNA, a U.S.-based full-service retirement business, was one of the earlier companies to offer this improvement to their customers.

The reason? CIGNA wanted to ensure consistency of customer communications at all touchpoints. In addition, it needed to improve the readability and understandability of the information it was conveying to its customers. This would allow participants to become more involved in and make better decisions about their retirement planning. CIGNA also felt it was important to publish targeted educational material needed by each individual to assist them in making better decisions.

The results were significant. CIGNA saw a 10.5% increase in plan participation from first-time participants and a 5.3% net increase in net ongoing contributions by plan participants. Moreover, a customer survey found that 95% of CIGNA customers found their statements easier to read and understand.

### **Estimating the Effect**

The loyalty campaigns in the PODi database present their results in terms of absolute response rates rather than in terms of incremental response rates. Quite simply, this is because none of the studies were conducted as static campaigns for comparative purposes. Moreover, the Direct Marketing Association's Annual Response

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Rate Report is not helpful, since it does not break out “loyalty” as a category.

The Caslon study, however, has reviewed the loyalty campaigns in the PODi database and determined that the median absolute response rates across these exceptional programs is 31%. It suggests using a response rate target of half the median (15%) for these campaigns as a benchmark. Understandably, this “typical” number will be revised as more data becomes available.

\*Direct Marketing News, August '07 issue.

Sources: PODi, the Digital Printing Initiative; Caslon & Company “Response Rate Report: Benchmark Information for Relevant Marketing Programs.”