

A man and a woman are smiling and laughing together. The man is holding a large orange and yellow shopping bag. The woman is holding a credit card. They are outdoors in a bright, sunny setting.

EQUIFAX[®]



Use Case

How retailers can use consumer spending insights to help enhance loyalty programs

Retail industry

CHALLENGE

Assess members of retailers' customer loyalty programs and help find new high-potential customers.

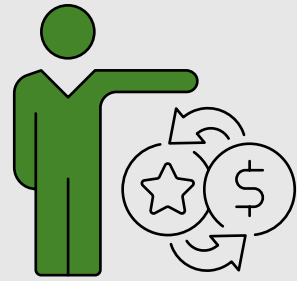
SOLUTION

Enhance retailers' customer segmentation systems with consumer spending insights to help identify new and long-term customers that may warrant additional marketing focus based on their likely spending capacity and potential, as well as differentiate current loyalty program members that may be downgraded.

OUTCOME

Help improve marketing efficiency by focusing promotional efforts on those customers that more likely have higher spending capacity and potential, while helping reduce marketing efforts spent on customers with lower spending potential.

Retailers want to increase the number and quality of their loyalty program members, yet their customer segmentation systems often lack the ability to efficiently identify new, high-potential customers, as well as those that are unlikely to justify tailored marketing efforts. Retailers can work with Equifax to score their customer files with estimated spending capacity measures to help better differentiate customers by their spending trajectories, quickly apply focused strategies to high-potential new customers, and adjust loyalty program members.



Challenge: Help evaluate and grow membership of retailers’ loyalty programs and improve efficiency of marketing programs

Many leading retailers have loyalty programs that help them build stronger relationships with their most important customers and incent additional spending with their brands. Members of loyalty programs are often the number one source for the target audience for marketing campaigns; however, many retailers are concerned about the quality and quantity of loyalty program members.

Retailers may be faced with several challenges in assessing and growing their loyalty program membership:

- **Difficult to identify current customers that have high spending within the category, but are not yet enrolled in the loyalty program:** Retailers often find it difficult to uncover category enthusiasts, who may have shopped once or twice at the retailer, but who spend the majority of their money at competitive stores. Retailers can benefit by identifying these customers and including them in their loyalty programs.
- **Unable to efficiently pinpoint new, high-potential customers, resulting in missed sales opportunities:** While many retailers gain hundreds of new customers every day, their segmentation systems often lack the ability to quickly reveal which new customers should receive special marketing offers and treatment via the loyalty program, thus resulting in missed sales opportunities.
- **Complicated to identify low-potential program members, which could contribute to inefficient marketing spend:** A single big purchase generally qualifies a household to be part of a loyalty program. However, even with ongoing marketing communications, some of these households will not continue to spend more than the average customer, and thus their inclusion in the loyalty program may not be warranted.

Solution: Leverage household spending capacity to help identify high-value customers

Retailers can work with Equifax to score their customer records and loyalty program files with measures of estimated household spending capacity in order to help differentiate customers based on their likely spending power and also identify new high-value customers for their loyalty programs.

To apply these insights, retailers can divide their customer records into the following groups:

- **Current long-term customers that are not yet part of the loyalty program, to identify those high-spenders that should be added to the program and receive marketing promotions:** An Equifax study of a leading retailer showed that about 10% of non-loyalty program households that were customers for 12+ months should be part of the program based on their likely ability to spend on the retailer’s brand and within the category.* These customers warranted increased marketing focus, and could offer incremental revenue to the retailer.

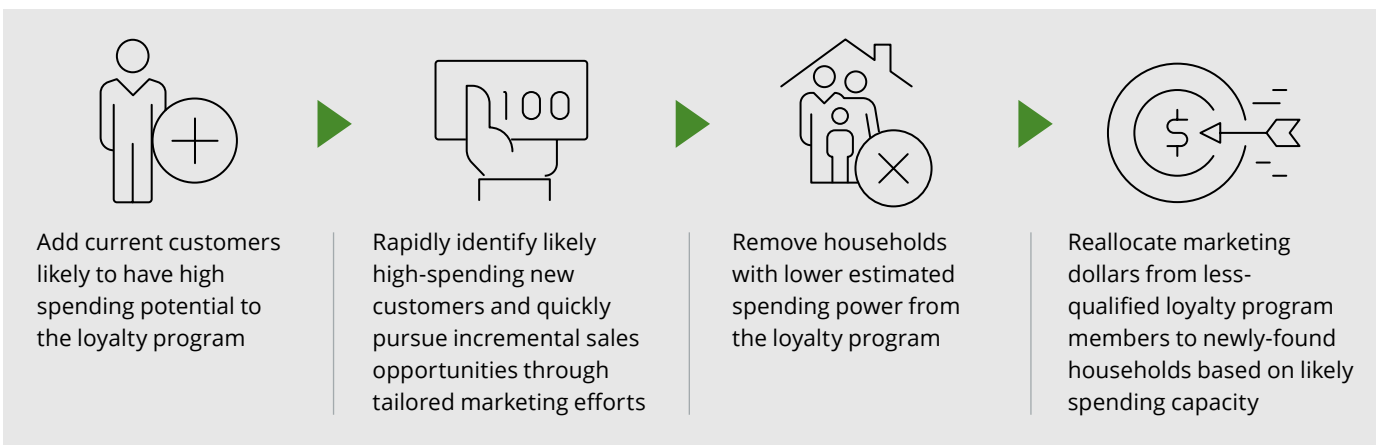
Segmenting customers by spending power can help retailers better identify high-potential households for their loyalty programs.

- **New customers, to quickly identify those with high spending potential that should be offered loyalty program membership:** Retailers can use our financial measures to segment new customers and gauge their likely spending capacity and trajectory. Retailers can then quickly implement tailored marketing efforts for those households and take action to include them in their loyalty programs.
- **Current loyalty program members, to identify those that may not meet program objectives:** A past analysis showed that approximately 20% of a leading retailer’s loyalty program members were unlikely to have the continued spending power to justify devoting valuable marketing dollars on trying to incent them to spend more.* These customers were likely to have lower estimated discretionary spending power compared to other customers, and thus were not an optimal match for the loyalty program.

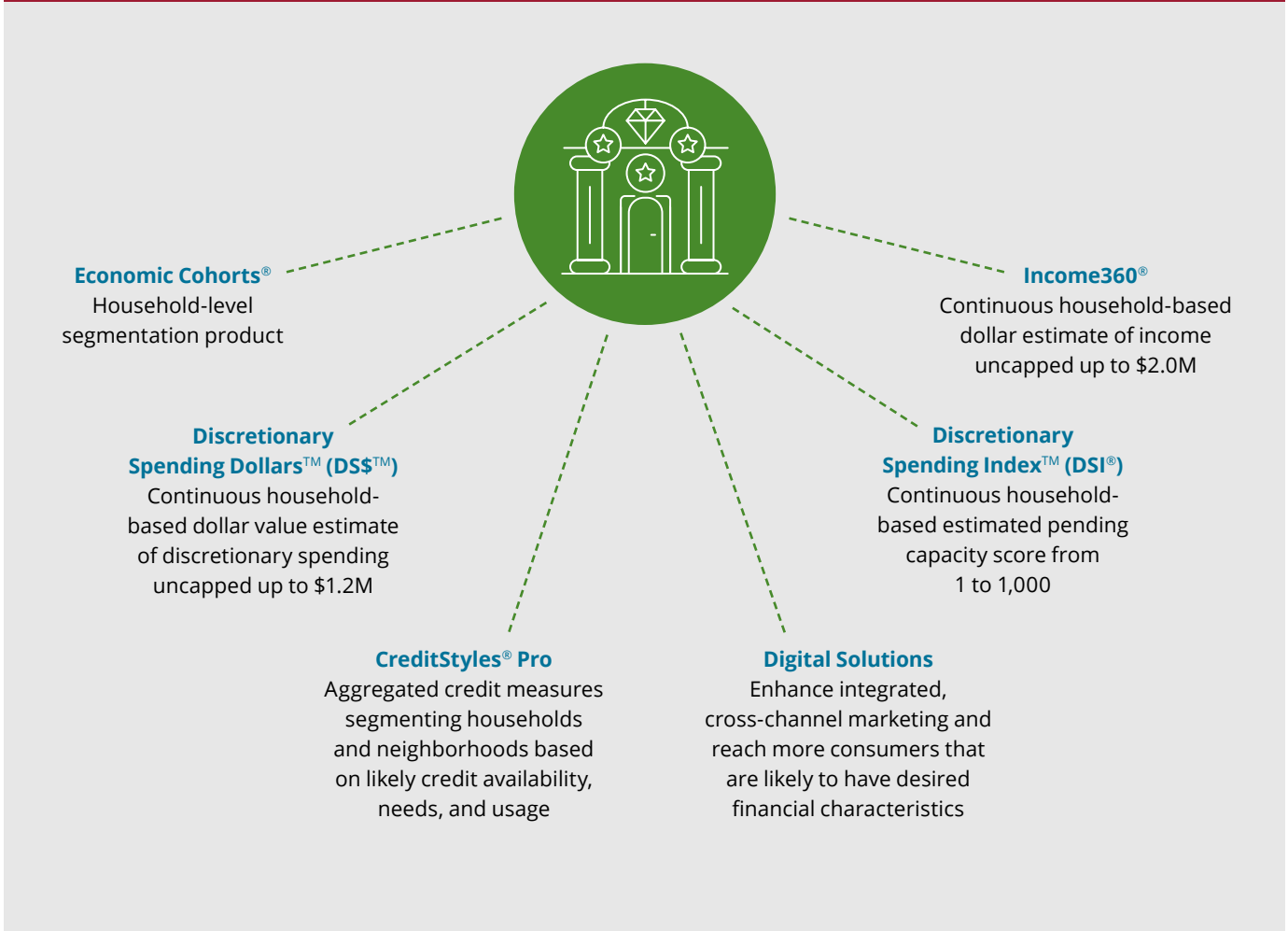


Outcome: Improve marketing efficiency

By using estimated spending capacity measures to help differentiate households, retailers can better ensure their marketing efforts are directed at those customers that are more likely to provide long-term spending opportunity for their brands. Based on past analyses, retailers can potentially expect to increase revenue potential and increase marketing efficiency by as much as 25%* by implementing these steps:



Core products used by retailers



For more information on our solutions for retailers, [request](#) to receive our Marketing Solutions for Retailers document.

Note: DS\$ has been renamed to Spending Power™ and DSI has been renamed to Affluence Index™.

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*Stated results are based on prior Equifax marketing projects. Your individual results may vary based on your actual customer data, marketing efforts, product/service type and other related factors.

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