

Offer Optimization Case study

Client:

One of the largest food retailers in Canada.

Challenge:

Our client was looking to adjust their direct marketing plan to advance their loyalty program. After a few attempts that led to weak response rates and decreased vendor interest, they determined they needed a more sophisticated offer matching engine to assemble relevant offers for their shoppers.

Prognosis Solution:

Upon recommendation, they approached Prognosis to design and build a solution. After gaining a better understanding of their problem and business needs, it was determined that Offer Optimization was a superior strategy that would provide the best possible results.

Prognosis consultants conducted an initial study of previous campaigns and concluded that not only were the products selected for promotion unable to satisfy the marketing intent of their vendors, they were also not relevant to potential shoppers and failed to drive traffic to the store.

In this case study, a leading food manufacturer funded a promotional offer to introduce a new salad dressing to market. Selecting all shoppers that had previously purchased salad dressing, the retailer did not consider brand or flavor, or if the level of reward would be attractive. In addition, the retailer also could not establish if promotion of this national brand would slow sales of its private label product. Adding further complexity, certain shoppers were provided an abundance of offers in contrast to others receiving fewer.

Prognosis provided the skill set and tools to make the marketing communications relevant to the complete universe of shoppers. Our solution addressed the most important oversight in the client's equation; the relevancy of offers for the shopper.

Each offer was scored for vendor intent and relevancy. Only when a shopper matched the vendor targeting intent and exceeded the relevancy threshold, was the offer considered for that shopper. Offers were then filtered for private label cannibalization and competitive vendor settings.

Factoring in vendor budget constraints for each offer along with communication vehicle constraints, the offers were allocated for each shopper based on an optimal allocation algorithm. The 'leftover' slots for each shopper were backfilled using 'best-guess' offers based on shopper segments and overall offer popularity scores.

Results:

The offer-mix and the communication media as a result of our work have become increasingly relevant. The shopper response rates to their campaigns have doubled and in certain instances the vendor offer redemption rates have quadrupled.

Offer Optimization also added the support for transaction and loyalty builder promotions that were not available to them with their previous solution. Now the retailer is able to offer rewards for the most attractive threshold spend levels on a particular basket or across a period of time.

About Prognos:

Prognos Inc. is a boutique Consulting group dedicated to providing financially measurable results for Retailers and Consumer Packaged Goods companies through advanced analytic solutions. Through our office in the U.S. and India, we provide solutions that are built on decades of experience.