INCREASING RETAIL PROFITS WITH REWARDS OPTIMIZATION

In retail, loyalty and rewards programs are a quick and proven way to provide incentives to repeat customers to increase retention by shunning competitors and making frequent purchases. Rewards programs come in a variety of shapes and sizes but they all give customers exclusive discounts or perks in exchange for buying regularly.

Challenges

This specialty retailer knew something needed to change. Their rewards program offered a certain percentage off of the total order after meeting a certain criteria, but like many other retailers, they were running multiple other promotions at the same time and needed to know how these discounts were interacting. After some investigating, they discovered that their POS system was applying total order rewards discounts after all other discounts even though best practices dictate that line item discounts should be applied after total order discounts. They knew this issue was costing them profits, but they needed to know if the savings outweighed the effort to fix the issue.

Solution

The retailer used Agilence to easily query their transactional data to view the transactions that contained both discounts. They then calculated the average discount amount when total order percent discounts were applied first and compared to when the line item or dollar off discounts were applied first. These values were used to create an opportunity value.

Benefits By the Numbers

- The opportunity value revealed that taking the % coupon before the $ coupon added an extra $405K back to the company's bottom line in just 2 months - nearly $2.5M annually.

Additional Benefits

- This project was spearheaded by the Loss Prevention department who gained support of Operations, Finance, and Marketing teams through these results.
- This support generated 153 new projects for the LP team, breaking down corporate silos and further boosting profits across the enterprise.

Large retail brands have unique needs, but the right data tools can help them uncover operational inefficiencies and boost profits. This department store brand specializes in retailing soft goods such as brand name apparel and accessories with approximately 800 locations throughout the United States.

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