

**The data difference:  
How to use loyalty customer data to drive sales**

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Quantitative case study of customer loyalty data at Åhléns AB 1998-2013; sales initiatives driven, the effect of these on sales, customer behavior and product assortment.

1. Åhléns customer loyalty:

Brief history of how Åhléns have established their loyalty program and how they have worked with customer loyalty data over the period (1998-2013). Examples include: capturing customer data, the establishment of their loyalty concept, the IT-structure, the datamodel, segmentations, data types, customer panels, which customer data is used, how this is put into a system, which strategies have been used, which promotions, offerings have been used. How Åhléns have built up their customer insight database over time, so that it currently spans more than 75% of total sales, and can be tracked down to each transaction for each customer. This section is based on Åhléns and Kaplan analysis, presentations and material from 1998-2013.

2. Discussion of techniques for driving customer behavior based on profitability: Discussion of RFM (recency, frequency, monetary) sales techniques, how these evolved in the 60s, which industries these have dominated, to what extent they have been used and why.

How the current digital channels have opened up new possibilities for RFM and how relevance is becoming a more dominant driver of sales. How the product dimension is used to create relevance for customers. Measurements and techniques for measuring customer behavior, sales and profitability. The loyal customer database – which conclusions can be drawn from testing new sales initiatives on the loyal customer base, can these be used as a proxy for the total customer base?

3. Customer loyalty in department stores worldwide:

Brief discussion on how department stores work with loyalty programs in France, Germany, UK and US. Which types of loyalty schemes have been dominant, which segmentation and sales techniques have been used. Examples of cases: Selfridges, Debenhams, Bergdorf Goodman, KaDeWe, Galleri Lafayette etc. This section is based on interviews and research.

Empirical data study: Which initiatives have led to the greatest sales uplift for Åhléns 2005-2013(tested through the customer loyalty program). A closer look at two strategic sales initiatives that used customer loyalty data to test the effect:

- a. RFM and P – starting in 1998 and ending in 2013, Åhléns used different techniques for driving customer behavior to increase profitability. During this period they used

different strategies, from maximizing the revenue per customer to maximizing the number of customers. They also tested adding the product dimension – finding “favourite product areas” and included these in the offering, increasing relevance. They tested different product offering strategies – using a broad assortment with a differentiated, targeted offer to many customers, and narrowing down the assortment with less accuracy in relevance for the customers. Which of these strategies was the most successful, and how did it affect sales and profitability?

- b. Role of the product in the customer life cycle – which products were “entry products” – products that would hook up new customers, and which were “loyalty products” – products that would drive loyalty. How these findings were used in the department stores, and the effect of these. A new strategy was implemented based on increasing the “loyalty products” assortment, and tested on 10 different stores. This study was conducted over 1 year.
- c. Coupons and offers. Which coupons have been most effective to drive sales 1998-2013, and why? Which behaviors can be driven through coupons, which customers are more prone to use coupons, when should coupons be used, how can coupons be personalized, which price reduction levels are most effective. Study done over several years.

#### 4. Åhléns customer loyalty program today and future development

What Åhléns have learned from 16 years of working with customer data. How they will use customer loyalty data in the shift to omnichannel retailing, which techniques they will use going forward, how Nordic privacy laws affect the loyalty program. How predictive data modelling is changing their loyalty program and processes, how customer insight will affect the different business areas within Åhléns. This section is based on interviews with Åhléns management as well as newly made analysis of the customer data base.