

Enabled the launch of a nationwide loyalty program for a large pharmacy retailer



What We Did: A loyalty program that serves as a platform for customer targeting and promotional marketing

The Impact We Made: One of the largest loyalty programs in the health and wellness industry with high engagement levels

Summary - Loyalty program design and launch

Mu Sigma helped a leading pharmacy retailer launch a loyalty program successfully by providing the decision sciences backbone through a test and learn pilot phase, long-term program design and nationwide rollout.

About The Client - A pharmacy retailer

The client is a Fortune 500 pharmacy retailer selling to consumers in the US pharmacy-led health and wellness products.

The Challenge - Highly saturated market

The client did not have a loyalty program for their customers in the past. The long-term objective was to increase customer engagement, improve adherence and build an integrated platform across vendors. Though the long-term business objectives were clear, there was no analytical framework in place to even measure basic performance metrics. The challenge was to quickly test and learn through the pilot program, so the right features could be implemented before rolling out the program to customers across the nation. Also, given customers were saturated with loyalty programs and promotions from other retailers / brands, there was a need to help create an innovative program for higher engagement.

The Approach - Test and learn system

Mu Sigma worked with the client through the 18-month pilot program, before a nationwide rollout, in three phases as follows:

Phase I: Laying the foundation

In this phase we started by defining the key metrics to measure (including member enrollment, member usage, lift analysis, basket analysis and redemption rates) and implement the necessary data engineering foundation to track these metrics. An initial profiling of customers using demographic and behavioral data (such as RFM data) was created. We then helped identify the three test markets for the pilot, as well as the corresponding control markets to measure the impact (using ANCOVA to statistically control for the effect of other covariates). We then helped define three variants of the program to test.

Phase II: Test and learn

During this phase we helped the client execute quick iterations of test and learn cycles, through a rapid analytics team that would help gain insights on a daily basis. Various aspects of the loyalty program were tested, including the pure cash discount Vs. coupon linked discounts, the right mix of base points Vs. bonus points, effectiveness of redemption options, response rates for various campaign designs, offers on in-house Vs. market brands, optimizing offer bank, pharmacy product promotions Vs. front of store items, usage rates, basket mix, etc. This phase involved a lot of collaboration between marketing, merchandising, finance and IT.

Phase III: Prepare for scale

Based on learnings from the pilot phase, we helped the client finalize key features of the loyalty program to be launched nationwide. The key inputs were analysis of drivers of satisfaction, lift analysis and churn modeling. We had already operationalized the various performance metrics, so there was now continuous tracking of the program as it was scaled. We also created various customer segments - *a unique Customer DNA framework* - using characteristics including potential, channel preferences, promotional response propensity and product preferences that acted as the framework for better targeting.

The Outcome - Improved customer engagement and sales lift

- Over the last three years the program has been successfully rolled out nationwide and has been recognized in the industry as a powerful platform for customer engagement and marketing
 - Significant sales lift of 1.5% and response rates of 10-15% were achieved consistently in all the test groups
 - The renewal rates, sales lift and response rates continue to remain above industry average well past the pilot phase and into the nationwide rollout
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