

HELPING BUSINESS BLOOM

From May 2009, Optima worked with Notcutts Garden Centre Group for 5 years.

In that time, Optima's role included building a marketing database from online and store data to help launch and grow their highly targeted, card-based loyalty programme. Using this capability, Optima managed the annual membership renewal process for the Sage Gardening Club.

Optima also built and deployed Notcutt's emails, provided campaign success reporting and data analysis capabilities.

In the 2013 Marketing Society Awards for Marketing Excellence, Notcutts Garden Centres won both the Finance Director's prize and the CRM Category for their work in building the Sage Gardening Club.



Data



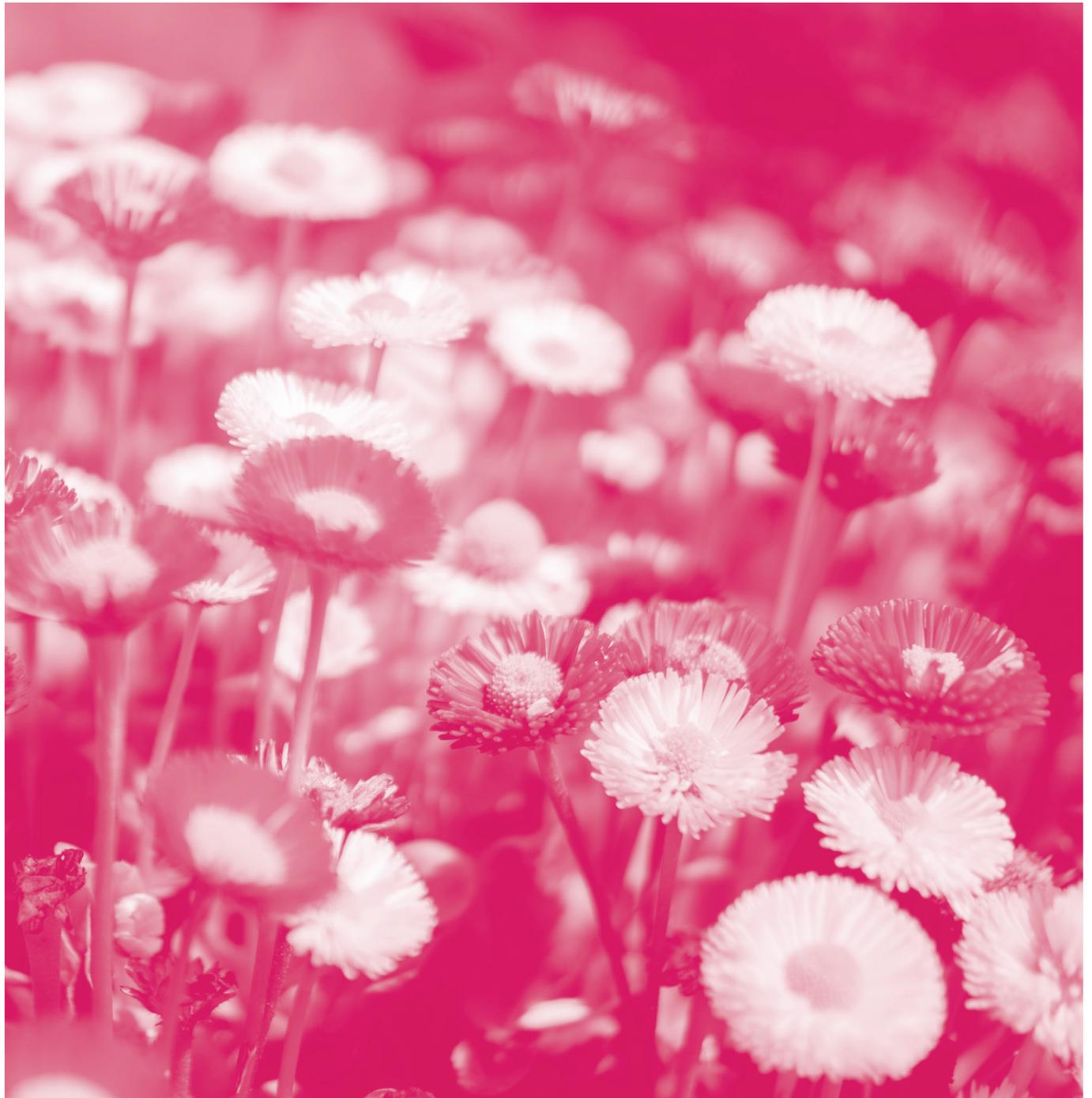
Insight



Campaigns



Reporting



THE ENTRY MARKETING SOCIETY AWARDS 2013 (CRM)

EXECUTIVE SUMMARY

In 2009 the UK Garden Centre Retail market was characterised at a chain level by undifferentiated retailers.

Coupled with this, the sector operates on a low frequency of visits across the year compared to other retail sectors, and generally the location of the Garden Centre plays a big role in the decision of which one to visit.

Notcutts Garden Centre Group decided that it wanted to provide its customers with a compelling reason to shop with them more often, and to gain a bigger share of their wallet.

This paper tells the story of the CRM scheme that helped transform Notcutts' business, and how by the end of 2012 it had converted 1 in 5 of its customers to be part of a new club, which has generated £2.5m in membership fees alone.

INTRODUCTION

The Garden Centre Retail landscape is formed predominantly of one off independently owned Garden Centres. There are also around half a dozen Garden Centre chains of note - the top three being Wyevale; now called The Garden Centre Group (VC owned), Dobbies (Tesco owned) and Notcutts (family owned). The Garden Centre customer is typically a keen gardener. They are educated, knowledgeable and more likely to be female than male. Many customers, particularly the older ones, also have time on their hands and a repertoire of Garden Centres that they frequently visit.

That said, we knew we had a core of very loyal customers that we wanted to protect, and from here on engage a bigger base of loyal customers for the long term.

This led to a new strategy for the business: to ring fence and develop our most valuable gardeners and to capture a greater share of their wallet.

We wanted to answer some searching questions: How do we show that we offer our customers exceptional value, service, range and expertise, so we make it worth their while shopping only with Notcutts? In particular, what could we do to increase the average number of visits to a Garden Centre from 5 per year? (UK National Average. Source: Horticulture Trade Association) How do we share our knowledge and expertise as a Garden Centre brand? And, how do we tap into our customers' love of gardening and build a relationship with them?

We knew the answer lay in gaining as much knowledge about our customers as possible and that Email & Direct Marketing represented the best and most cost effective way of talking to customers, if only we could get enough data.

Reward schemes in 2009 were not unusual. Our key competitors already had clubs and point schemes. We knew how powerful they could be for a business, and wanted to build one that was market leading.

Our team was a collaboration of the in-house marketing team, agency specialists and data analysts. Our goal was to turn fickle but valuable gardeners into brand converts who'd shop at Notcutts regularly and as a first choice – increasing frequency of visit & increasing Average Transaction Value (ATV).

The aim was to bring in incremental revenues of approximately £1m in year one, make marketing communications cost effective (positive ROI) and gain actionable insights through testing. And to build a scheme that could improve management information and aid planning across the entire business.

The scheme also had to be capable of selling itself as we had limited launch funds, relying on marketing through POS in the Garden Centre, and additional staff support. Therefore it was agreed that to achieve real stand out, we would create a brand in its own right whilst still clearly belonging to and sharing Notcutts values.

It was decided that the scheme should be very much a Privilege Club as opposed to just a discount, money off card – a scheme customers felt had greater value than just the savings they would make as a member. It needed to be a scheme that had real depth.

The Club offers every member 10% off every purchase every day for their full year's membership. The value this offers is market leading. On top of this there are more than £85 worth of other benefits given to members throughout the year.

If we were to offer these market-leading benefits, our financial modelling told us we would have to charge an annual fee. But – and this was the hard bit – could we get our customers to pay to be a member when some of the biggest schemes in the sector were free to join - like Wyevale's for example.

We ran a pilot at the end of 2009 in 3 of our Garden Centres. After 4 weeks it was clear the Club was working, with all 6-week target KPI's already being exceeded by a large margin. We had 7,000 sign ups, which over the 4 week period brought in an incremental £100,000.

For roll out we planned on having 75,000 members by the end of the first year (approximately 1 in 10 customers). We managed it in 6 months. By the end of Year 1, Sage customers had contributed 40% of the profit for the whole Notcutts business. 40% of profit from Sage members.

The long-term results are compelling...

CUSTOMER LIFETIME VALUE:

Sage's success was dependent on increasing frequency and value. The data shows that the three-year value of a Sage member is £670 compared to £200 from non-Sage members.

SEGMENTATION:

We wanted to understand who our loyal (frequent & valuable) members were, and so created a Recency Frequency Value (RFV) model. Amongst other things, it revealed that over 30% of all sales from Sage members were coming from just 11% of members. This 'Very High' segment was categorised by a spend over £150 in a 12 month period, with more than 6 visits to the Garden Centre in the same time frame. When it came to renewal, we knew that those who had spent more were more likely to renew.

So we brought in a communications programme that would target selected members mid-year, to encourage their spend levels. We targeted those who at week 38 of their annual membership, were at a level of spend that implied (from historical data) that their renewal rates would be at best 35%. We also targeted those who had spent more than this threshold at week 38, but who had not made a Garden Centre visit for over 6 weeks.

The promotional element to this trigger programme was a spend and save voucher, using our knowledge of the ATV (average transaction value) of the targeted members.

The initial sign of success came with the voucher redemption rate across a 6 week validity period of 45%. The number of transactions were 20% higher in the contacted groups, compared to a representative control, with ATV coming in £5.50 higher even after allowing for the voucher!

And the impact on renewal? 5% more customers renewed at the end of their membership year, than in the control.

IMPROVED VALUE FOR CUSTOMERS:

The average member's annual saving is now running at £14.28 net of annual membership fee of £10. This is calculated taking the fixed 10% discount, the redemption of restaurant offers and use of other Privilege Club benefits across the 12 month period. Sage members have really appreciated the Club's benefits and consequently they have helped shift buying behaviour:

- The free tea and coffee we offer members each month has seen 700,000 redemptions across the customer base per annum. This represents over 60% redemption for all active members.
- In a year 50,000 members attend the '20% off everything' shopping events we run bi-annually. They now represent two of our highest income weekends of the year.
- The average number of BOGOF redemptions in the restaurants (given to members three times per year) totals 60,000 per annum. These deals are planned to drive traffic at quiet times of the year and structured so that Notcutts are still profit positive, despite the promotion offered.

All high value price pointing in the Garden Centres carries the Sage Privilege Club price, so members can easily see how much they are saving (which also encourages more members into the scheme).

INCREASING REVENUES:

We have established that Sage is profitable for the business. In membership fees alone we have brought in an extra £2.5m into the business in 3 years, which after costs nets out to £2m on the bottom line.

Having customers as Sage members is better for Notcutts than having them as just regular customers. They are more active and on average are bigger spenders. Our retention programme is therefore critical.

We target members 6 weeks before their renewal date with a series of tried and tested communications. We also have a reactivation process that targets any lapsed high spenders. For a fee based Club without Direct Debit (yet) we have constantly exceeded targets, with renewals running at an impressive 60% with second year renewal rate actually exceeding 70%. Approximately 5% rejoin the Club during our reactivation campaign.

THE EFFECT OF SAGE:

The whole business has benefited from the Sage Privilege Club – it not only helps Buying & Merchandising with their planning during category reviews, we are now able to introduce certain lines into some of our Garden Centres based on a clearer understanding of our customer profile.

It has helped ring fence and develop our most valuable gardeners over the past 3 years. We know that against the market average of 5 Garden Centre visits per year, we have increased the visiting frequency of Sage members by a multiple of over 1.5 per year on average. And as the Club matures, this figure is rising.

We have gained more attention from our customer base. They engage with us more and we are front of mind when they are making a decision on which Garden Centre to visit.

As of the end of December 2012 the Sage Privilege Club has 122,327 paying current active members. This represents 1 in 5 of all Notcutts customers nationally.

The next chapter is about getting even closer to our customer. We will be launching a 'Green Room' forum, which will give members the chance to exchange advice and ideas.

We will be seeking out opportunities where we have permission to speak to members, and using these opportunities to keep adding market-leading benefits to the Club so we stay ahead of the competition, and keep our customers coming back to us.



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