

Digital printing and customer loyalty

Contributed by Sean Smyth, 2007

Personalisation is of course the preserve of digital output, but the run lengths loyalty cards demand are clearly better suited to offset. Sean Smyth looks at how one major player balances massive data streams, long runs and digital personalisation

Apart from the high-volume mainframe billing and statement applications run by utilities and financial institutions, the largest and most complex digitally printed project in Europe is probably the Nectar Loyalty scheme, offered by a number of UK retailers, from supermarket chains to petrol stations. This involves sending out 100 million emails and 300 direct mail campaigns, producing some 50 million print items annually. These are all personalised to various degrees. The aim is to increase sales by providing very targeted communications.

The scheme was first developed and managed by The Loyalty Group. In 2001, the team behind the success of the Air Miles programme in the UK, led by Sir Keith Mills, established The Loyalty Group (TLG), launching the Nectar programme in 2002. This is the largest loyalty programme in the UK, with more than 20 sponsor participants including Sainsbury's, BP, Debenhams, EDF Energy, Thomson Holidays, Hertz, Ford, ebookers.com, HSS Hire, TalkTalk and American Express, among others (although Barclaycard has left). Up to this autumn the scheme has delivered more than £750 million (€1,116 million) worth of rewards to UK consumers.

Approximately 50 per cent of UK households collect Nectar points from the sponsors, and can redeem these points for a wide variety of rewards, including travel, merchandise, days out and groceries. There are more than 20 million cards issued to UK consumers in circulation.

Key to the success of the scheme is the data handling. Honed skills provide the 150 million plus personalised communications annually, which include a variety of customer contacts and media channels. Each is targeted at individuals according to their shopping habits and behaviour. The company then measures the value and success of the messages by the real consumer response and reports back to sponsors providing the input to new campaigns. The effectiveness of the communications with collectors is vital, and reliable fast-turnaround high-volume digital print is a vital part of the mix.

The company employs 150 staff, 75 of whom are directly involved in data processing, because the critical success factor of the operation is the data. As a member of the Nectar programme you will receive a quarterly mailing. This takes TLG some 17 weeks to organise, 15 preparing and refining the data and then two for the printing and mailing. The data is in four parts:

- A profile of the household or business;
- The redemption transactions with suppliers;
- Transactions across the brands;
- Third-party and sponsor overlays.

So, TLG has details on approximately 50 per cent of UK households and 10 per cent of the small-to-medium enterprises (SME). For each unique collector the profile contains basic name and address, phone (fixed and mobile), email and household composition details. Then the profile is developed by collecting answers to questionnaires and monitoring the consumer's actual behaviour, particularly through the use of the loyalty card. This lets Nectar segment their collectors by the marketing preferences - shopping behaviour, car ownership profiles, among others - for consumers are developed. For businesses, the product line and company size, together with the identity of key decision makers and key purchase data, is collected.

Every time the card is used a redemption transaction is collected that applies the reward points to the account. There are up to 2 billion transactions recorded in any period; for all of these the sponsor code and collectors identification is gathered with the amount spent, time and date, location, the points offer code and particular sponsor-specific attributes. Then the reward redemption data is characterised with collector ID, supplier, the reward and points redeemed, together with date, time and location. Finally, third party data is overlaid from the UK census and commercial databases, including MOSAIC and ACOM. There is also road network data, retail outlet developments, media boundaries (e.g. TV regions and local newspaper circulation areas), telephone and trade directory regions.

This creates an awful lot of data. There is then a huge amount of validation, segmentation and sorting required to create the mailing. TLG applies very sophisticated algorithms to try and gain three value categories: Basic (insight into individual consumer behaviour), Core (profit driver that identifies opportunities for rewards) then Plus (strategic partner analysis).

This is the Group's key competence, measuring customer behaviour and providing ideas for their customers - the scheme sponsors - to increase their revenues and profits. They categorise this as a value-added pyramid, each layer of which leads to increased customer satisfaction provided the previous layer has been implemented successfully. A set of key performance indicator reports provide TLG's clients with insights into the behaviour of their customers and allows it to

profile the customers, identifying important ones who provide the greatest profit opportunity. Base, Core and Plus results are checked to make sure correct information and campaigns are measured, analysed and presented back to sponsors.

At a basic level the points update mailing sends out some 9.5 million reward statements detailing how many points have been collected or redeemed in the period. There are particular offers and themes made to the collector according to specific collector profiles. TLG categorises collectors in terms of their relative value to the sponsors. The most valuable are the engaged enthusiasts who will change their behaviour to maximise point collection. Then there are bonus seekers, savvy supermarket shoppers who use their cards regularly. Then there are contented ex-shoppers, swipeless savers who may not use the card, routine grocery shoppers that use the card occasionally and there are 'Nectar indifferent' who are registered but don't use the card. This macro segmentation provides sufficient differentiation to apply very different responses to bonus promotions.

So the engaged enthusiasts are Nectar's best collectors. Probably grounded in Sainsbury's, they understand the range of retailers in the scheme and earn points with others. Most have more than one collector on the account. Nectar wants to maintain and develop these collectors by thanking and surprising them with exclusive offers and privileges, and informing them of new programme information.

There are 23 segmentation processes; during the data processing there will be multiple iterations per segmentation to determine (hopefully) the best and most appropriate offers per collector. Similar profiles and appropriate messages are developed for each sector which determines the personalised communication that you will receive, from a full pack in an envelope with a brochure, points update and special rewards offer, to, for less enthused collectors, a much lower-cost self-mailer on a single piece of paper with points update and perforated coupons.

The coupons provided are based on an apparently endless range of potential selection criteria, including demographics, general programme activity, grocery shopping, expenditure on credit cards, fuel consumption, department store shopping, children's wear, sporting goods and many others.

The points update mailing (PUM) is sent out to 9.5 million UK collectors every quarter and represents the programme's most important communication. It contains details of points earned (with one's partner) and redeemed, together with opening and closing balance. Then, according to the profile there will be messages from sponsor(s) and coupons aimed to boost spending in relevant outlets. Nectar use the profile to determine any inserts and particular imagery that should be used, the printing and posting strategy designed to gain maximum impact.

This is a highly complex process with data being updated and refined constantly. Each mailing grows in complexity and it is probably the largest loyalty marketing campaign in Europe, with 17 sponsors (up from four in 2003) and mailings can contain one of either six, 12, 18 or 24 different coupons. Each coupon has its own decision tree for determining the offer strategy, either retention or acquisition, maximising customer value, proximity to the nearest location and the shopping behaviour at other outlets. The particular segment the collector is in determines the spend threshold and allocation of bonus points rewarded. There are more than seven million potential variations of coupons and TLG spends a great deal of time and attention (not to mention cost) in getting this right. Printing

The mailings themselves are digitally printed using mono inkjet over litho pre-printed reels. The introductory letter and points update is personalised, with priority messages highlighted. The personalised coupons allow sponsors to target collectors according to the offer strategies. The personalised rewards section highlights selected rewards that are available with the current points balance and motivational rewards.

As the scheme develops the mailings become ever more sophisticated, what Simon Grinsted, Print and Production Manager, describes as "extreme personalisation". The autumn mailing in 2006 used three print formats with 11 variants, developing half a million different key tags to determine the individual content. A new addition was the inclusion of one of 13 maps showing the location of participating sponsors in the local city or town.

Print production is outsourced to several suppliers. Over the five-month project cycle the printing and mailing takes just two weeks, the rest of the time is the data preparation. No UK supplier can offer sufficient capacity and the company that produces the bulk of the mailings is Mohn Media (formerly MohnDruck) in Gütersloh, northern Germany. Mohn Media is the flagship printing and data handling site of Arvato, the service provision unit of the giant media group Bertelsmann. Arvato is Europe's largest printer with many high-quality plants and a wealth of experienced skilled technicians competent in handling high-volume digital print applications.

Mohn Media produces Nectar packs and self-mailers with a print run of 9 million plus copies, four times a year. Owing to the high level of personalisation, the requirements have risen constantly. In order to offer LMUK the best service possible, the printer recently invested in additional Kodak Versamark inkjet technology. The base print is a four-colour process offset litho with patches and tints that will be overprinted with eye-catching offers and information. Changing formats

As the scheme has developed, new mailing formats have been developed to make them more appealing. The rewards

booklet has been completely reworked and personalised coupons have been placed on detachable pages in front of the cover. When the coupons are removed, the rewards magazine remains fully intact with its messages and offers easily read. The die-cut eye catcher is a special feature with which customers can instantly view their points balance. "By redesigning our mailings we've been able to increase the response rate of our coupons," LMUK claims. "The collaboration with Mohn Media works well, because we have the same goal: to develop a product that satisfies the needs of our customers, our sponsor and of LMUK to the same degree."

As well as huge print capacity, Mohn Media provides personalisation, special finishing, extraordinary folding techniques and more functions for direct marketing. If required Mohn can also arrange fulfilment and call centre operations as well as offering a full mailing service. The digital print technology is capable of addressing and personalising all kinds of advertising media in any position. High-performance systems use up to eight flexible Kodak Versamark inkjet imaging heads in-line on-press and also off-line, printing text and graphics in position, in phase with the pre-printed background.

There is a potential 960mm personalisation width across the front and back page. The digital print system enables high-speed production of personalised mailings, self-mailers, catalogue covers and inserts, as well as customer and subscription magazines. The system can use any type of font, coding or colour, ranging from six point upwards, imaged at any angle. Mohn also offers personalisation after print production; the printer's Action Print permits catalogues to be personalised individually on the saddle-stitchers, for example, with up to two addresses on two different parts of the product.

The inclusion of a local map on the points update has been taken to the next level in the special home mover's kit. This is a one-off mailing sent to collectors who have moved and told Nectar the new address, currently some 7,000 packs per quarter. This is designed to be a call to action for the consumer, providing an incentive to initiate or continue a relationship with sponsors. The impressive centrepiece of the pack is a personalised map with the home location shown in relation to the location of sponsor outlets, together with special offers at these local sites that relate to the typical needs of a new home.

Each coupon has its own decision tree that determines the offer strategy, while the segment allocation determines the spend threshold and bonus points rewarded. TLG research suggests the kit generated £3.8 million in incremental sales in the UK.

A new tool is provided by a recent addition to TLG supplier roster, REAL Digital International in Croydon. The company provides full-colour inkjet printing to create totally variable mailers, up to 630x1,500mm, for the smaller business communication Nectar at Work. There is no litho preprint with good quality graphic reproduction from the duplexing fixed-width Agfa Dotrix UV curing inkjet heads and high-capacity flexible finishing and inserting equipment. In this example, the 600mm-wide mailer is printed in mailsort order, then finished from the web and mailed quickly and efficiently with maximum postal discounts and minimum waste. The total variability allows personalised messages throughout. In Figure 1, a picture of a potential destination that the user has enough points to visit is shown if he takes advantage of the offers enclosed, while the points total is reversed out of the full-colour cover image.

Currently the volumes are around 30,000 per quarter and the company is carefully monitoring the results that will determine the future use of the technology. The unit cost of production of totally variable print onto plain paper is much higher than litho pre-print and inkjet personalisation, but the impact of the message through having no fixed content should provide a better response. That has long been the promise of digital direct marketing and soon the Nectar programme should have irrefutable proof.

Challenges for the Loyalty Group include having to prepare more, smaller, campaigns increasingly targeted and focused. Technology such as the duplex inkjet at REAL Digital is providing the tools to accomplish these marketing needs economically. Multiple channels are being developed, sending messages to particular consumers via their preferred methods - email and personalised URLs joining personalisation overprint and totally variable full-colour print. XMPie software is used to process the multimedia data output as these trends require ever more sophisticated data manipulation at TLG and specialist fast-turnaround suppliers.

Over the past few years the direct mail and direct marketing sectors are seeing that the major trend toward smaller, more targeted campaigns has been accelerating. This is a fundamental shift away from high-volume, generic mailings and this is attributable to several factors that include a greater emphasis on customer retention, better data, more use of data cleaning, more sophisticated targeting techniques and the growth of data analysis specialists. Reasons for the decrease in volumes include the onset of online marketing, reduced spends overall and most worryingly for marketers the rising number of consumers requesting their names to be removed from mailing and telephone lists.

TLG, along with other suppliers, is getting over these by trying to engage consumers to participate in their scheme. A well-designed and relevant communication will influence the consumer behaviour, with TLG able to measure the real response and report the proof back to the sponsors. While email and personalised Web spaces gain publicity, a key part of this is the use of sophisticated high-volume digital printing services to drive loyalty and increase spend with participating brands and retailers Takeaways

- The Nectar Loyalty scheme is operated by The Loyalty Group (UK) who claim the scheme is the largest in Europe with 50 per cent of UK households participating and more than 20 sponsor retailers and brand owners.
- Currently the company prints and mails some 50 million personalised pieces annually to collectors, both private individuals and business users. The company uses XMPie software to format the output in a cross-media application, sending 100 million emails as it determines the best way of communicating
- There are some 300 separate direct mail campaigns; the most important is the Points Update Mailing, where individuals receive what The Loyalty Group terms "extreme personalisation". There are more than seven million potential variants, the key is the data preparation and segmentation, which will drive the inkjet personalisation equipment.
- The bulk is printed and mailed from Mohn Media in Germany, part of Bertelsmann using litho pre-print and Kodak Versamark technology over a two-week period. It takes the data preparation function more than 15 weeks to prepare and refine the data.
- One of the most complex products is the home mover's pack where a personalised map of the location of the new home is generated and printed together with the locations of sponsor outlets and relevant special offers.
- A sign of the way the technology is developing is the use of UV inkjet to produce totally variable single-piece business mailers by REAL Digital International in Croydon in a single pass. There is no requirement for stocks of pre-printed sheets that are subsequently personalised.
- Over the past few years the direct mail and direct marketing sectors are seeing that the major trend toward smaller, more targeted campaigns has been accelerating.
- While email and Web spaces get much publicity, the use of sophisticated high-volume digital printing services to drive loyalty and increase spend is still important.

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