



Schwartz Communications

DMAW
Direct Marketing Association of Washington

MARKETING **AdVents**

April 2010

Publication of the Direct Marketing Association of Washington

Vol 49 | No 4

April 2010

Data Analysis and Predictive Modeling Lead to High Direct Mail Returns



BY ANNIK LABROSSE

Priszm LP operates 430 Kentucky Fried Chicken restaurants and other quick-service restaurants (QSR) across Canada. To target customers and drive sales

in our KFC restaurants, we rely heavily on direct mail, primarily through flier and coupon distribution.

In 2008, we achieved an impressive redemption rate of 5.7 percent. To set the bar even higher for 2009, Priszm aimed to drive more sales on a lower direct mail budget. We began taking a closer look at all the variables that factor into a direct mail campaign, including number of fliers per store, where to drop fliers in a trade

area, number of coupons per flier, price points, flier format, timing of drop, and the type of coupon offer. We needed to optimize each and every aspect of the campaign to be more efficient and effective.

Priszm enlisted the help of Pitney Bowes Business Insight (PBBI) to help us more accurately target flier distribution, increase the coupon-redemption rate, and drive sales. We are working toward a framework that will enable us to execute a campaign, track the results, input any new information into the system, and then repeat the process for the next campaign, thereby fostering continuous improvement and truly optimizing the direct mail program.

Data analysis and predictive modeling

The first phase of the project focused on modeling and underlying data analysis to improve the planning aspect of our direct mail program. Using its geodemographic segmentation system, PBBI analyzed each trade zone, looking at the different neighborhoods around each store and classifying them into market segments, or "clusters" that correlate well with individual preferences and consumer behaviors. Each neighborhood was scored based on

the propensity of residents to spend at KFC restaurants, taking into account proximity to a restaurant, competition in the trade zone, and coupon redemption of each store.

Ranking the neighborhoods in trade zones enabled us to capitalize on a completely new targeting capacity. Previously, we were only targeting select postal codes with a specified household income. Now, we are able to utilize a wealth of information for each trade zone, including customer demographics and psychographics, store performance, and competition, enabling us to more accurately target direct marketing efforts. Rather than blanketing a very broad area and potentially wasting marketing dollars on neighborhoods that are not a fit, we are now able to pick and choose the exact neighborhoods we want to target.

While we are still measuring the impact of the new trade zones, KFC's coupon-redemption rate has increased to a remarkable 11 percent. Additionally, Priszm's sales-per-flier have increased from \$0.45 on average to over \$1 in sales.

Annik Labrosse is senior marketing manager, Priszm LP— Operator of 430 KFC restaurants. She can be reached via email at Annik.Labrosse@priszm.com.