



Making the Most of Data

Boscov's uses a "seamless" system to boost loyalty and sales

by KAREN M. KROLL

If it ain't broke, don't fix it," often no longer holds up. An increasingly competitive business world forces companies to continually innovate and improve. That's especially true in retail — few retailers can coast and survive.

So, although the credit card and loyalty program at Boscov's, one of the largest family-owned department stores in the country, was "a good program, we felt we needed to take it to the next level," says Toni Miller, senior executive vice president, chief administrative officer and chief financial officer.

Based in Reading, Pa., Boscov's has 43 locations in six states and its sales top \$1 billion. The company's credit card and

loyalty program had begun to stagnate: It needed technology enhancements, a simpler rewards program and a greater ability to analyze the data captured to allow Boscov's to boost customer loyalty and increase sales.

"The competition was advancing ahead of us in terms of newness, relevancy, technology and customer contacts," Miller says.

After an extensive request-for-proposals process, Boscov's entered into a partnership with the card services business of Alliance Data, a provider of data-driven marketing and loyalty systems. "We are focused on making a deeper connection with our brands'

customers," says Nick White, vice president of client partnerships.

RAPID IMPLEMENTATION

Six months after the companies decided to work together, the conversion was complete. Not only did Boscov's transfer its credit card portfolio from its previous provider to Alliance Data, it also brought its loyalty program to Alliance Data's platform and implemented several technology enhancements.

"Our team and the Alliance Data team really worked very closely for those six months," Miller says. The two groups met weekly to check the project's status and compare it to the work plan. Nearly

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all departments at Boscov's, including IT, credit, finance, store operations, risk management and ecommerce, participated in the effort. "It was all hands on deck," she says, and their efforts paid off.

The transition was so seamless, it was "scary," Miller says. "We thought, 'What are we missing here?'"

A key reason for the transition's success was training. Boscov's already had a thorough private label credit card training program, Miller says; Alliance Data helped enhance and improve it.

"At Alliance Data, we spend a lot of time making sure everyone is totally immersed in the program, understands how the program works, why the program is good for the customer and how that program impacts both of our organizations," White says.

It accomplishes this in several ways, including placing Alliance Data employees in clients' stores to help associates understand the dynamics of the programs as well as the nuts and bolts of its operations.

All associates who work with the program must understand every aspect of how it works and every aspect of the brand, White says. "We require complete and total brand immersion."

ANALYSIS AND INSIGHT

Alliance Data also works with retailers to generate insight that increase sales, analyzing data from card programs as well as data generated by sales that occur outside the credit card program. The company also conducts email surveys and talks with customers one-on-one or in focus groups.

"We employ art and science and the marriage of customer data and research to find out what customers want," White says.

The information gleaned from the programs at Boscov's prompted several conclusions: While customers were happy with the loyalty program, they also found

it complicated — it contained 10 tiers, when three to five would have sufficed.

In addition, 15 percent of customers were earning rewards on an ongoing basis; ideally, 60-70 percent of people will earn rewards.

Customers also wanted incremental earning opportunities, White says. In response, Boscov's opened an expedited earning lane within cosmetics, a high profit category.

Along with evaluating customers' wishes for the loyalty program, Alliance Data "conducts a rigorous financial evaluation," White says. It compares the forecasted changes in performance metrics against anticipated costs to identify the program modifications that will make the most productive use of the budget. Then it works with the retailer to determine how to target certain customers at certain times with the messages most likely to prompt action.

The new rewards program at Boscov's also includes several technical enhancements — customers now can check their points online or with a mobile device, Miller says.

Boscov's changed the earning structure and entry into all the tiers, and reduced the number of tiers to three. The new process to open a credit application is much simpler, so store associates can complete it more quickly.

Alliance Data helped Boscov's improve the visuals around the credit program as well. The company had gone too long without an update and appealed to just one segment of their customer base.

"We introduced new signage, new credit card applications and new card plastics," White says, "and we renamed the tiers with fun names."

BETTER CUSTOMER UNDERSTANDING

Just as important, the new program enables Boscov's to better understand its customers, Miller says. "What's their demographic? What do they buy? How often are they coming back and what's prompting them to come back?"

The data also helps Boscov's understand how best to communicate and when to communicate: The retailer uses a form

of A/B testing — sending an email, tweaking, sending it again and comparing responses — to see which version is more likely to trigger customer actions.

The new program improves Boscov's understanding of what Miller calls "look-alike customers," consumers who are similar to its current customers but who the retailer currently isn't reaching. Boscov's has used these models when entering new markets to gain an understanding of the number of customers who don't shop with them, but whom it makes sense to target.

This insight has improved several measures of performance. Boscov's credit card approval rates are up by about 12 percent and its credit lines are up 9 percent, Miller says. "We've added more accounts and we're activating at a higher rate."

Another boost occurred in Boscov's private label credit card sales, up more than 13 percent: Miller credits that, at least in part, to the simplified rewards structure.

One discovery: About 65 percent of customers who open cards online also use them in the stores. "It provided us greater insight into how to facilitate our initiative for omnichannel initiatives," Miller says.

Under the old program, Boscov's mailed rewards certificates only a few times a year; it's now mailing them monthly. What's more, customers are using them.

"Our penetration rate is up over 350 basis points," Miller says, referring to the increase in the percent of sales placed on Boscov's private label card.

The positive changes show no signs of stopping. "We're into the second year and we're still seeing growth," Miller says.

One example: Boscov's opened 30,000 accounts online last year, compared with 1,000 the year before when another firm handled the credit card and loyalty program.

"It's been a great partnership," Miller says. "The customer votes at the register, and we have increased loyalty and greater engagement from our customers." **STORES**

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