

KFC enjoys 30% reduction in direct marketing costs with Intelligent Consumer Targeting



In a competitive quick service restaurant market, KFC Singapore reactivated lapsed customers, reduced its cost of communications and increased responsiveness to its campaigns using Capillary's Conquest reporting solution. The brand reduced the cost of its leaflet marketing campaign by as much as 25% and 30% of its overall direct marketing (DM) investments. Capillary also helped KFC witness a 10X ROI on its topline, a 64% increase in repeat sales and 5-6% higher revenues with the optimized DM campaigns.

Challenges

KFC Singapore operates 28 stores across the city state in conjunction with an online ordering system. It faces intense competition from the plethora of brands occupying Singapore's increasingly saturated quick service restaurant space.

Customer churn, falling profitability ratio and low earnings-expenditure ratio are the biggest challenges currently facing quick serves in Singapore.

KFC Singapore primarily advertises through generic mass media. Its existing modus operandi was to drop leaflets in every single household's mailbox, for which it was incurring a staggering monthly expense of over S\$ 100,000. KFC Singapore sought to improve upon the returns on its investment in such leaflet campaigns by identifying the "reactive" areas from where it was attracting the most customers.

To launch customer-centric promotions, KFC also sought to gain a deep understanding of customers ordering behaviours and trends.

A Better Solution

KFC's strategy for identifying areas in Singapore with the most potential to drive its home delivery business was to break down the city state into 75 sectors and carefully track the response of each zone to eight promotional campaigns (each coinciding with a leaflet drop), by comparing sales during the campaign week with the pre-campaign week and post campaign week. Through this means, KFC would be able to identify its most reactive "hot" areas, along with the medium and cold sectors, and start to optimise its direct mailer campaign costs by sending direct mailers to only more reactive areas and targeting households in other zones through less expensive email direct mailers and text messages.

"Our industry is highly fragmented and competitive in nature. Capillary's efforts to help us reduce our cost of communications and improve campaign response has been staggering. Thanks to Capillary, we know when where and how to direct our marketing efforts such that they give us the highest returns."

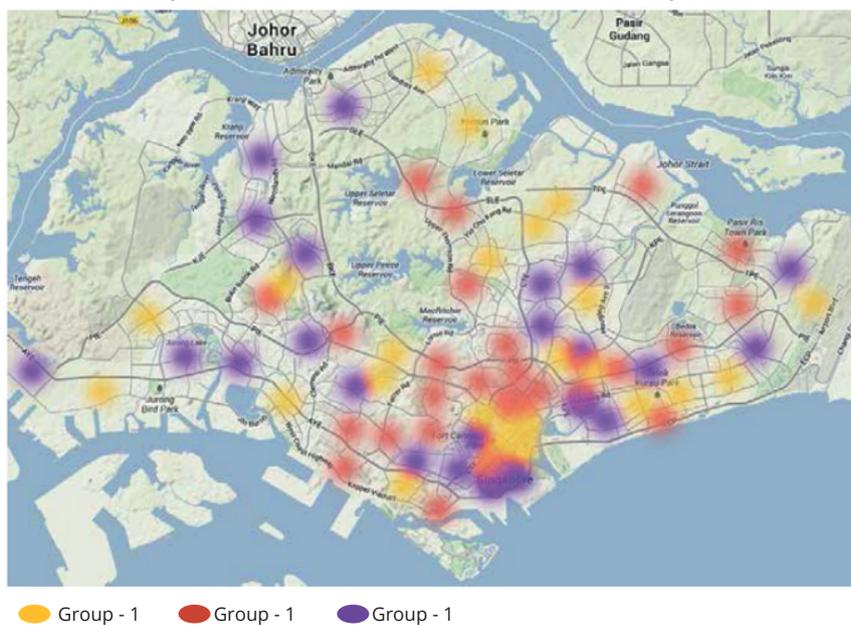
Virginia NG,
 Senior Marketing Director, KFC

Benefit 1: Find out most responsive regions in Singapore

KFC used Capillary Technologies' Conquest reporting solution to map sales in 75 zones spanning the city state, and analyse customer data. It calculated eight impact ratios for each sector, one for each campaign it studied. Subsequently, it merged these eight ratios into one impact ratio for each sector. It then divided the sectors in three categories based on their reactivity.

KFC discovered that commercial zones contribute a greater proportion of normalised sales than non-commercial sectors. Sales in commercial sectors peak during weekdays, as they are driven by the working population, and drop by as much as 6% over the weekend. In contrast, other sectors witness ~5% increase in sales during weekends. KFC also found out that sectors with a higher percentage of Housing & Development Board units contributed to lower sales.

Heat Maps for the 75 different sectors for Direct Mail Optimization



KFC is now armed with better insights on how to run its direct mailer campaigns, by only targeting households in the more reactive areas with direct mailers. Between April and August 2013, the brand targeted different combinations of beneficiaries, picking and choosing from the three categories of sectors each month to optimise its campaign costs. In April, May and August, KFC additionally sent SMS offers to households in sectors that were excluded from the regular direct mailer campaign, to establish their response to the alternative channel.

Benefit 2: Best channel to reach out to its customers

Through this exercise, KFC re-assessed the responses to direct mailer campaigns across different areas, assess the impact of SMS campaigns and refine the segmentation of zones.

Questionable sectors were targeted iteratively to establish their true leaning. As a result, it re-segmented the city state, again into three areas, each comprising of 25 sectors and with approximately the same percentages of households (34%, 33% and 33% respectively).



Benefit 3: Significant drop in communication costs

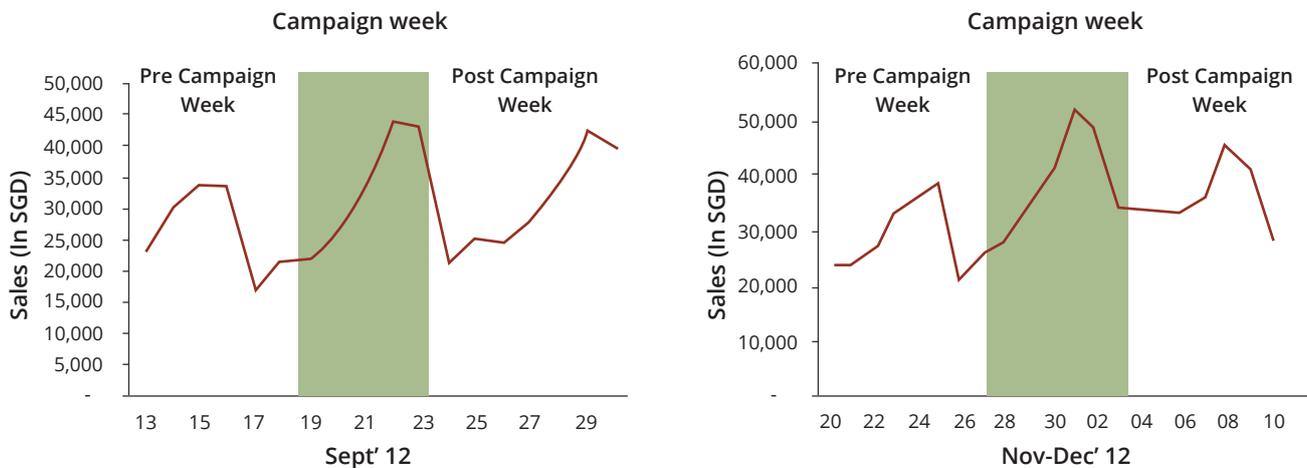
By understanding which localities in Singapore are most responsive to campaigns, KFC has been able to save 25% of its leaflet marketing campaign costs and 30% of its overall DM investments.

The projected annual savings from this media mix optimization exercise was as high as \$400,000.

In the first month of its implementation of the CRM program, KFC witnessed as high as ~10X ROI with a 3.3% impact on top-line.

More than 3.6% lapsed customers were reactivated during the campaign period, along with a 64% increase in repeat sales. The brand realized 5-6% higher revenues with the optimized DM campaigns.

Sample campaign period sales increment over pre-campaign week and post campaign week



Capillary Technologies is a leading provider of cloud-based software solutions that help retailers of all sizes to engage intelligently with customers through in-store, mobile, social and email channels. Our platform powers end-to-end customer engagement, “clienteling,” loyalty and social CRM for more than 150 major brands in 10,000 retail locations. We help bring instant shopper gratification to 75+ million consumers in the US, UK, Middle East, South Africa and the Asia-Pacific region.