

# Kognitio helps Marks & Spencer Money take a progressive approach to introducing customers to Chip & PIN

**‘Chip & PIN authentication of credit and debit card transactions became mandatory in February 2006, forcing Marks & Spencer Money to issue new cards to its 2.5 million financial customers and this could have been a costly and disruptive exercise. But, working with Kognitio, Marks & Spencer Money used Chip and PIN migration to cement customer loyalty, drive new sales and increase profit’.**

*Martin Squires, Customer Intelligence and Analysis Manager at Marks & Spencer Money*

## Introduction

Marks & Spencer Financial Services market a range of consumer financial products through its Marks & Spencer Money (M&S Money) brand. As the financial services arm of Marks & Spencer, Marks & Spencer Money was the first company in the UK to offer a store card to its customers and today its &MORE credit card has 2.5 million customers.

## The Chip & PIN challenge

In 2005, Marks & Spencer Money commissioned a major customer-marketing project to successfully manage the transition of their 2.5 million credit card customers to the new Chip & PIN credit cards. The challenge was to ensure that Marks & Spencer Money did not experience high levels of churn as a result of credit card rationalization, expected to be an outcome of the industry’s move to Chip & PIN. Marks & Spencer Money also saw the exercise as a business opportunity to cross sell additional financial services and strengthen brand loyalty. Marks & Spencer Money worked with data migration and business intelligence specialist Kognitio to deliver the Chip & PIN initiative through the “Minerva” customer intelligence platform that Kognitio has managed as a hosted service since 2002.

## Gaining customer insight to deliver Chip & PIN

Marks & Spencer Money saw the transition to Chip & PIN as an opportunity to increase card usage and to cross sell new products, while building customer loyalty in Marks & Spencer as a leading financial services brand. Customers would be incentivized to activate and use their Chip & PIN cards through short-term loyalty offers. These would be linked to card activation deadlines and the purchase of additional Marks & Spencer Money products, for example credit

card insurance. The Customer Intelligence & Analysis (CIA) and marketing teams joined forces to plan and implement a project that would provide sufficient detail on customer behavior to support a major marketing drive around positioning the &MORE card as “the only credit card you’ll ever need”.

The company allocated a budget of over £1m to cover the entire move to Chip & PIN and the intensive marketing campaign. This was to cover everything from direct mail costs through to production of new cards. A significant portion of the budget was invested in the data analysis aspect of the project and the changes required to the existing Minerva platform to power the Chip & PIN project.

To maximise return on investment in the campaign, 2.5 million customers had to be segmented by their behavior which would be assessed based on complex analysis of previous card activity. The timing and content of communication with each segment would then be tightly controlled based on Marks & Spencer’s greater understanding of how each segment typically behaves. The Minerva system allowed Marks & Spencer Money to run detailed analyses of its entire customer base. This exercise showed that 14% of customers accounted for 54% of transactions and 51% of spend, while 10% of customers accounted for 89% of total book quarterly profit. The analysis process allowed Marks & Spencer Money to identify its most important customers: highly profitable, high spenders, committed to the loyalty scheme and fast activators. These were the customers that Marks & Spencer Money had to retain.

## Rolling out the Chip & PIN campaign

Marks & Spencer Money used the analytics features of the Minerva system to run models to predict customer likelihood to activate cards and to respond to certain reward offers. Customers were then segmented into 98 different categories which were then used as the

## Challenge

Faced with the introduction of Chip and PIN, a leading financial services provider wants to use the opportunity to avoid high levels of customer churn and cross sell additional financial services as well as strengthen brand loyalty.

## Solution

Marks and Spencer Money implements a comprehensive marketing campaign using their customer intelligence database platform with the help of Kognitio.

## The ROI

Based on the intelligence gained from using their database, Marks and Spencer Money benefited from the transition to Chip and PIN to achieve up to 97% card activation rates and incremental cross sales worth in excess of £950k net.





## Marks and Spencer Money has used the opportunity created by Chip & PIN to work with Kognitio to create a successful, IT-driven CRM program.

basis of the Chip & PIN marketing campaign. Based on the intelligence generated by Minerva, Marks & Spencer Money devised a series of offer-based communications to run over a set period leading up to the Chip & PIN deadline. Different communication was sent to different customers using a range of channels and was selected based on that customer's individual buying history and consequent value as a Marks & Spencer Money customer. This was a complex process and involved 62 separate batches of mailings and PINs to card carriers and over 9 million separate mail pieces.

### Key project metrics and results

Marks & Spencer Money identified a set of specific metrics against which the success of the project would be judged. These were:

- To achieve average card activation rate of 70%
- To achieve significant cross-selling rates for new and additional products
- To achieve additional revenue from cross selling of new products

The results of the campaign were outstanding:

- Card activation rates were excellent, with the targeted incentivization scheme delivering exactly the kind of results Marks & Spencer Money had hoped for. Activation by high priority segments ranged between 93% and 97%
- Within the scope of this strategy the Minerva system has enabled Marks & Spencer Money to improve cross-selling rates for new and additional products. Customers who received balance transfer offers outperformed control cells by between 5 and 8 fold and Payment Protection and Cardsafe offers outperformed by between 2.5 and 4 fold.

- Resulting incremental cross sales were worth circa £950k of net present value to Marks & Spencer Money.

Chip & PIN had the potential to cause an increase in customer complaints as they adapted to remembering their PIN in order to use their card. As a result there was a risk that customer satisfaction would be reduced as a result of the change. The use of the Minerva customer intelligence platform to segment customers based on their behavior ensured that communication and associated loyalty offers were 'on the mark'. The aim was for there to be no denigration of Marks & Spencer Money's customer feedback score during Chip & PIN and this aim was also achieved.

To the best of Marks & Spencer Money's knowledge, other card issuers in the UK have simply issued new cards and PIN numbers to their customer base, whereas Marks & Spencer Money has used the opportunity created by Chip & PIN to work with Kognitio to create a successful, IT-driven CRM program, geared at maximizing usage of the card and cross selling substantial volumes of additional products and balance transfers. The net result is greater brand awareness, improved customer loyalty and increased profitability.

### Success

The Chip and PIN project delivered all key goals set around accuracy of delivery and communication programme, activation and card usage rates (set by profit segment) and cross sales targets. Marks and Spencer Money has been unique in the UK financial services market place in their approach to using what would otherwise have been a major "cost sink" to drive real tangible business benefits and develop their customer relationships.

**Kognitio provides solutions to business problems that require acquisition, rationalization and analysis of large and/or complex data**

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