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THE TCC MODEL
TURNING DATA INTO COMPETITIVE ADVANTAGE

TCC, a company specializing in loyalty programs, adopts a holistic, data-driven approach to loyalty campaign design. Every step is backed by in-depth data analysis with the goal of maximizing return on investment (ROI) and return on emotions (ROE) for retailers. TCC's approach to loyalty measurement demonstrates how a data-driven strategy can not only improve campaign performance, but also provide detailed insights into customer behavior and optimize marketing strategies.

MARKETING//DATA-DRIVEN APPROACH//ADVANCED DATA ANALYTICS//CUSTOMER LOYALTY//KPI

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TCC is a company that specializes in creating loyalty programs and innovative marketing solutions to help companies build lasting and meaningful relationships with their customers. With an international presence, the company has been a reference partner for many retailers for over thirty years, combining innovation and operational excellence. TCC's mission is to create value through effective loyalty solutions aimed at building authentic and lasting loyalty.

TCC offers a wide range of services to improve customer engagement and brand loyalty, including the development of customized programs to boost engagement, purchase frequency, and loyalty card usage. The company also designs integrated marketing campaigns that combine traditional and digital tools and provides advanced data analytics to help its partners better understand consumer behavior and improve strategic decisions.

A DATA-DRIVEN APPROACH

TCC takes a holistic, data-driven approach to loyalty campaign design (Castaldo, 2024) based on three main pillars: tailored campaign design, performance monitoring, and post-campaign analysis. Each phase is supported by in-depth data analysis, with the goal of maximizing both return on investment (ROI) and return on emotions (ROE) for retailers.

Campaign design begins with the collection and analysis, including transactional data and spend data, to develop customized strategies. Customer segmentation is critical to identifying targets and defining the baseline. Using predictive models, TCC can accurately forecast campaign performance, optimizing the retailer's investment. During the campaign, TCC monitors performance using operational, commercial and behavioral KPIs through an omnichannel platform that integrates data from online, in-store media and gamification initiatives. This allows for early intervention and optimization of the ongoing campaign.

At the end of the campaign, TCC analyzes results against relevant KPIs, including customer loyalty, ROE, sales growth, purchase frequency, loyalty card acquisition and penetration, scan rate, churn rate, massification (percentage of customers using a coupon in a month), repeat shoppers, market share, and NPS. This analysis helps define the impact of the campaign and integrate the results into decision making to improve future campaigns.

The campaign lifecycle can be divided into five main phases:

- Design: Define the campaign structure and targets.
- Forecasting: Identify patterns and trends to optimize investments.
- Monitoring: Continuously analyze performance to ensure goals are being met.
- Optimization: Update predictions based on results.
- Post-campaign analysis: Measure KPIs *ex post* to evaluate campaign effectiveness and improve future initiatives.

ADVANCED REPORTING AND DATA ANALYSIS

TCC consistently applies data analytics tools to facilitate the effective and holistic management of loyalty campaigns. The company's analytical activities span several areas, including:

- Market insights, such as economic trends and changes in consumer preferences, to understand the market dynamics that influence purchasing behavior.
- Customer insights, such as examining consumer awareness, preferences and behaviors to guide campaign design and drive engagement.
- Campaign design, by analyzing shopper spending patterns to create offers that maximize loyalty program participation.
- Forecasting, by developing predictive models to anticipate campaign participation, plan demand and define reward levels.
- Campaign monitoring, through omnichannel measurement of operational, commercial and behavioral KPIs to optimize performance during the campaign.
- Post-campaign analysis, by extracting detailed customer, store, campaign, and brand information using proven methodologies to improve subsequent loyalty strategies.

TCC uses a variety of methods to measure loyalty, moving beyond traditional sales KPIs such as sales growth, purchase frequency, NPS, and market share to a more complex and comprehensive analytical approach to loyalty campaign performance. Data analysis is based on three key principles: understanding the value of the campaign and its impact on the business; optimizing continuously to achieve KPIs; and gaining detailed insights into customers and activities.

Loyalty measurement encompasses a wide range of indicators grouped into three macro areas:

- Reach: Measures the awareness and engagement generated by the campaign using operational and social media data, with KPIs such as omnichannel awareness and ad impressions.

- Reward: Evaluates the conversion of awareness into participation based on redemption rates, participation and sales.
- Return: Analyzes the impact of campaigns on ROI, customer loyalty, and brand value using both transactional data and qualitative analysis.

TCC adopts specific measurement tools to evaluate loyalty: one of the most robust methods is control groups, which compare customers who participate in the campaign (*redeemers*) with those who do not (*non-redeemers*). The aim here is to isolate the impact of the campaign on purchasing behavior and calculate ROI. This methodology, developed in collaboration with the Carlos III University of Madrid – IbiDat (Banco Santander Institute of Big Data), makes use of big data analysis and solid statistical foundations.

As shown in Figure 1, the control group, consisting of customers who did not participate in the campaign, maintains a behavior very similar to that of the redeemers until the start of the loyalty program, at which time they begin to significantly escalate their spending and purchase frequency, clearly demonstrating the positive impact of the initiative.

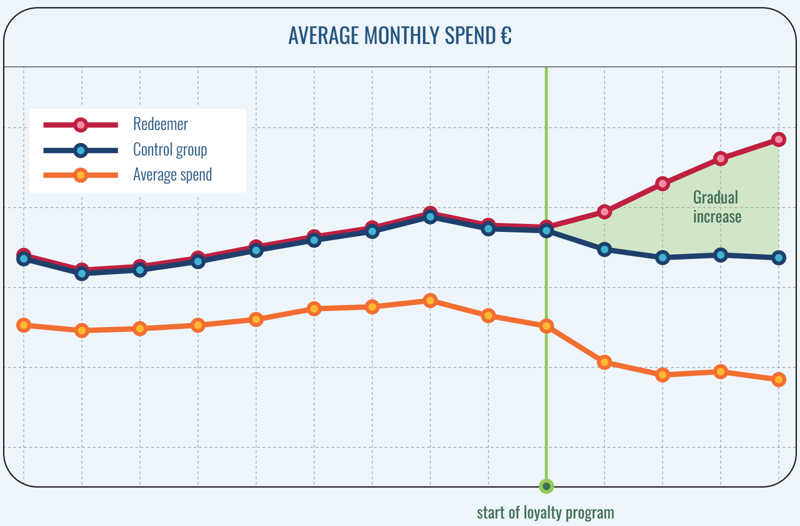
Another tool TCC uses is shopper insights (*panels*), such as focus groups and surveys, to analyze the impact of the campaign on brand perception and behavior change. TCC also compares the sales performance of similar stores during the campaign with the same period in the previous year to assess the local impact (*like-for-like*, L4L).

AN APPLICATION OF TCC'S APPROACH

A successful case study that applies this approach is a loyalty campaign that TCC designed, implemented, and measured in partnership with a major North American retailer. The initiative offered the retailer's customers rewards of high perceived value, notably a collection of premium tableware available at a 90% discount off the retail price through the collection of digital stamps, heavily promoted both in-store and online. Customers could easily scan their card through the retailer's app, accumulate stamps, and redeem them for rewards. In addition to boosting engagement, the campaign aimed to improve metrics such as sales, purchase frequency, and loyalty card penetration.

The performance measurement methodology was one of the distinctive elements of the project. Using a data-driven approach, TCC analyzed

FIGURE 1. AN EXAMPLE OF ROI MEASUREMENT



INCREASED SALES

	Redeemer €	Control group €
Previous 2 years	50	50
During the campaign	60	52
Basket stretch	10	2
Total stretch of campaign*		96.00€
Total sales increase**		48,000,000€
ROI		77%

*8€ for 12 weeks **500k redeemer

transaction and loyalty card data in real time, monitoring KPIs such as redemption rate, scan rate, and purchase behavior. Automated tools ensured a fast and efficient data collection and analysis process, limiting the need for manual intervention and ensuring more accurate results.

The results of the campaign showed a positive impact on key KPIs:

- Loyalty card penetration rose by 5%, with an 8% upturn in new customers.
- The redemption rate was 32%, with an average of 2.5 rewards redeemed per participant.
- Redeemers, representing 20% of point collectors, generated 37% of total sales and purchased 40% more frequently than average.
- Total sales saw an uptick of 4.2% among loyalty cardholders.

TCC used RFM (*Recency*, *Frequency*, *Monetary*) analysis to segment customers by tracking their migration between value groups during the campaign. This analysis revealed an impressive retention rate of high-value (*champion*) customers and a significant shift of loyal customers to higher segments due to increased spending and purchase frequency.

The campaign also provided strategic insights into shopping behavior, revealing a correlation between stamp collection and more loyalty card scans, a key KPI for the retailer. This data was used to personalize post-campaign communications, driving new customers retention and consolidating high-value segments for future promotions.

To further evaluate the impact of the campaign, TCC compared the behavior of redeemers to a control group of non-redeemers and found greater engagement in terms of spending and purchase frequency among initiative participants. In addition, efficient inventory management, supported by redemption curve analysis and delivery data, ensured an excellent balance between supply and demand, optimizing logistics operations and ensuring the availability of prizes throughout the campaign.

In summary, TCC's systematic and data-driven approach not only improved campaign performance but also provided the retailer with the tools and knowledge to refine marketing strategies, enhance customer loyalty, and consolidate market competitiveness.

CONCLUSIONS

TCC's approach to loyalty measurement demonstrates how a data-driven strategy can not only improve campaign performance, but also offer detailed insights into customer behavior and optimize marketing strategies. For this reason, TCC believes that access to more comprehensive data and a greater willingness of retailers to share it are key steps in maximizing the potential of loyalty campaigns. Indeed, effective use of this information can translate into significant improvements in business performance and a sustainable competitive advantage in the marketplace.

REFERENCES

Castaldo, S. (2024). *Customer loyalty: Theory, measurement, and management.* Bocconi University Press.