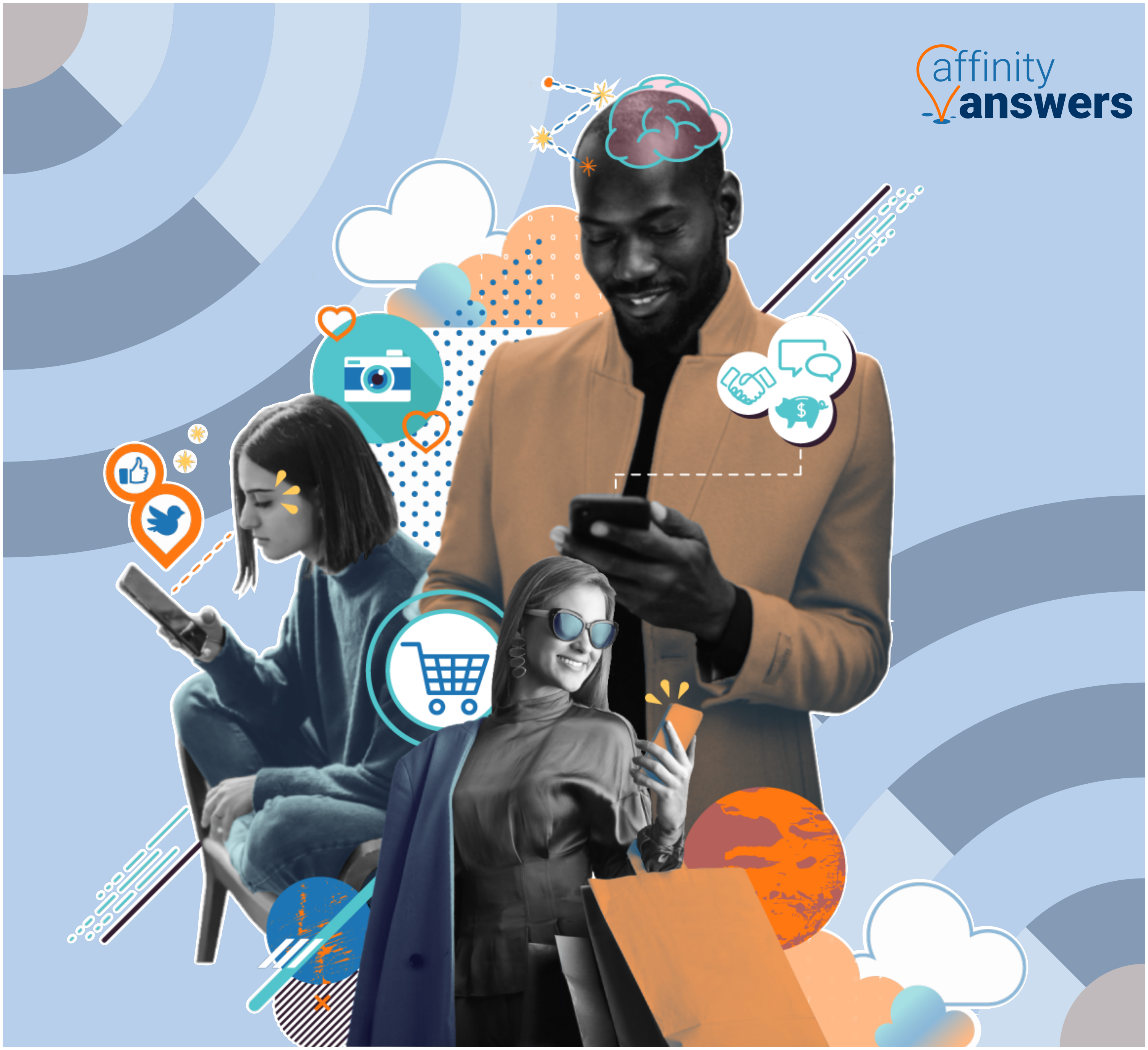


The Impact of

High Affinity Targeting on Buying Behavior

Neutronian

Hypothesis

Marketers have long hypothesized that high-affinity customers are more valuable than low-affinity customers. Intuitively, this theory is neither complicated to understand nor diffcult to subscribe to. Customers who prefer a brand (high-affinity) buy things from that brand. Customers who don't have a preference for a brand (low affinity) tend to spend less with that brand or avoid it altogether. That theory, however, is fairly binary in nature. Absent data to develop models around how much more or less valuable a customer is based on their affinity, the entire theory is merely supposition. Even worse, making prudent decisions regarding the allocation of marketing resources without meaningful data is a fool's errand.

The desire for data runs deep with marketers the world over. Supporting decisions with quantitative evidence gives leadership peace of mind that investments are made wisely. Data gives marketers a divining rod of sorts on where to act, and where to pull back. Choosing channels, designing campaigns, calibrating for optimal effect are all made easier or more difficult based on the data available. In the case of quantifying the value delta between high-affinity and low-affinity customers, data sets have been severely limited.

In a new study performed by Neutronian, data sets from Affinity Answers have started to uncover the answer. Results are now showing that marketers can quantify exactly how much more, unlocking the potential to make decisions that drive real brand and revenue lift.

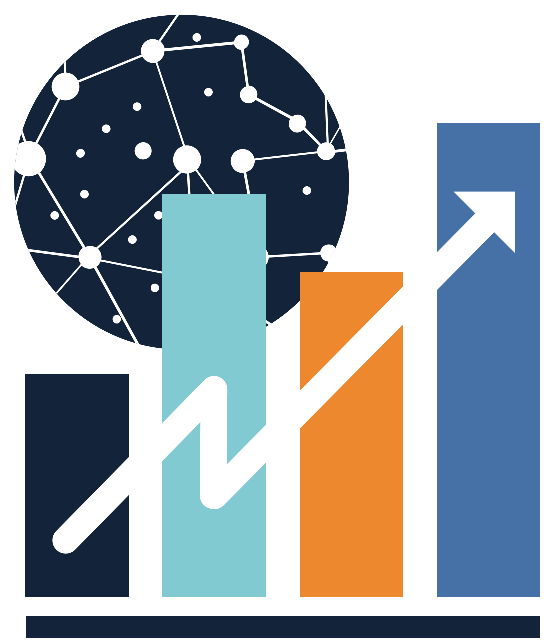
The Test Methodology

Independent data analysis firm Neutronian conducted a study to identify the value of customers based on affinity. The affinity-based segments provided to Neutronian by Affinity Answers were matched to industry standard purchase data for each category by matching unique users common to both data sets. The study accounted for behavior from April to June of 2021 and transaction data from April to July of the same year.

A test/control approach was used as the analysis methodology. Users were segmented into test and control groups. The test group was users with affinity scores between 8 and 10. The control group consisted of users with affinity scores between 1 and 3 for the given category.* All were buyers of the category. The only difference was their measured affinity score. The purchase behavior of each group was then analyzed in a wide range of segments including food and dairy products, beauty products, and health and wellness products.

The Results

The results confirm what marketers have thought for years: there is an identifiable lift in purchase behavior by high-affinity purchasers compared to low-affinity consumers. What was surprising, however, was exactly how great the impact of affinity was on purchase intent and behavior. The value marketers historically ascribe to high-affinity buyers has not approached the actual value that these buyers represent. The impact is greater than expected and manifests in a material way. Even more, the lift translates across conversions, order value and total revenue, and frequency.



Affinity Score ranges between 1-10

Increases In High-Affinity Buyers By Segment

5.49% more money spent

7.58% more units bought

6.63% increase in purchase frequency

Food & Beverage

3.62% more money spent

7.25% more units bought

10.36% increase in purchase frequency

Facial Care & Makeup

In consumer goods, a revenue lift of a single percentage point can be the difference between missing sales targets and exceeding expectations from Main Street to Wall Street. The data shows that the growth many brands need is not necessarily in new customer cohorts or market segments. The growth can actually be found in the right cohort of existing customers, the segment of those that already possess a high affinity for the brand.

Through a Different Lens

Taken as a whole, this data is significant. When looked at relative to market conditions, the study results take on even greater significance. Consider as an example the impact of COVID19 on shopping habits. If customers are choosing to make fewer trips to a store as a means of remaining safe from contracting a disease, then it makes sense to target customers who will spend more money on more products when they are in the store. Targeting in rural areas with fewer locations to shop also takes on greater significance.

For eCommerce, this data should inform how repeat customers are targeted across the internet. For example, a customer that has a history of frequently purchasing from a store online may need to be shown more expensive recommended products at checkout. Their high affinity may manifest in a higher total cart value. Conversely, a new customer or one that purchases infrequently may be shown less expensive suggested options at the checkout. They might be inclined to add something small to their cart whereas an expensive suggested item may not get a moment's consideration.

What This Means For Brands

Finally having the data to show a correlation between affinity and purchasing behavior is critical to marketers. With business leaders pressing marketers more and more to show data supporting their work and data providers struggling to provide omnichannel insights, this research could not come at a better time. As a marketer or marketing leader, you can (and should) invest in targeting high-affinity customers with confidence.

The impact these customers have can be a force multiplier for your brand. They spend more money on more products more frequently than understood. Moving one lever for growth can be a Herculean effort for even the most skilled marketing teams. Now, through research conducted by Neutronian using Affinity Answers data sets, brands can understand that multiple levers of growth are within reach.

The converse is also true. Avoiding low-affinity customers in marketing campaigns is also prudent. Utilizing resources to target customers that spend less money, buy fewer units, and purchase less frequently will sink customer acquisition costs and literally minimize return on investment for marketing dollars.