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ADVERTISING

MARKETING

Solution Makes It Simple

Staples utilizes multi-variable testing to improve newspaper circulars

By Marianne Wilson

Differences between marketing and merchandising are not uncommon, particularly when it comes to the mainstay of most retail marketing programs: the advertising circular. The number of products per page, the overall look, the tone of the copy—these are just a few of the items over which marketing and merchandising can clash as they labor to produce circulars that will drive sales.

Faced with this very scenario, Staples, the nation's leading office-supply retailer, turned to a statistic-driven solution: multi-variable testing (MVT). A complicated mathematics technique developed during the 1940s, MVT allows a company to test and measure the effectiveness of many changes in a procedure, service or operation (from a store layout to an advertising insert) at once, as opposed to trying them out one at a time. Many retailers have found it an effective technique to take the guesswork out of their marketing decisions.

"MVT is a way to economically test scores of ideas all at one time," said Art Hammer, principal, QualPro, Knoxville, Tenn., which conducted the test for Staples. "The insights gained via MVT separate what works from what doesn't work, which allows a company to improve its performance, cut costs—in many cases, companies are throwing money away on things that have absolutely no impact—and better allocate its resources."

The first place most retailers tend to apply MVT is advertising, according to Hammer.

"It's a prime target," he explained. "A lot of money is spent on advertising and it's visible at a very high level. Also, advertising is always under attack. Everyone thinks they can do it better."

Another popular target is a chain's media allocation. QualPro worked with Lowe's

several years ago, applying MVT to measure the effectiveness of television spots, newspaper ads and sports sponsorship. Among other things, it was revealed that the home-improvement retailer's sports marketing created a strong bond with customers, a finding that supported the company's strategy of NASCAR sponsorship. Lowe's also learned that television was more important than it had initially thought. It subsequently

compared to others.

Everyone in Staples' marketing department was asked to vote as to which circular they thought would produce the best sales. There was an overwhelming response for one in particular. Surprisingly, it came in dead last in the MVT analysis.

"It goes back to the theory that gut is not always right," said Kristin Miller, director, marketing strategy and customer insights, Staples, Framingham, Mass., in a presentation for QualPro.

By applying MVT, QualPro was able to demonstrate which of the 17 variables would make the biggest impact and which particular combination of variables was most effective.

"It involves much more than saying one circular tested better than another," Hammer explained.

Miller added that Staples' objectives in utilizing MVT were straightforward: It wanted to develop the most effective circular and settle longstanding debates between advertising, marketing and merchandising. It met both of those goals.

Based on the results of the MVT, Staples realized that while it was doing a number of things very well, there was room for improvement.

Although the chain will not reveal specific details, the insights gained via the MVT have led to significant cost savings in its circular program. The test also identified many variables that had absolutely no statistical impact on sales, which, from a creative standpoint, allowed Staples to have more freedom.

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increased its television advertising spend.

Working with QualPro, Staples reviewed its circulars and came up with a list of 17 different items or variables to test. They ran the gamut from creative style and the percentage of promotions offered per circular to the size of the items pictured on the front page and circular size (page count).

Staples created 20 different circular "recipes" or versions for the MVT test. They were tested per week over a period of six weeks. Depending on the version, some had lifestyle photos, for example, while others did not. Some had a more free-flow look



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